

ANNUAL
FINANCIAL
REPORT
VILLAGE OF MARION, MICHIGAN
FEBRUARY 28, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF MARION, MICHIGAN	County OSCEOLA
Fiscal Year End FEBRUARY 28, 2007	Opinion Date AUGUST 30, 2007	Date Audit Report Submitted to State AUGUST 31, 2007	

We affirm that:

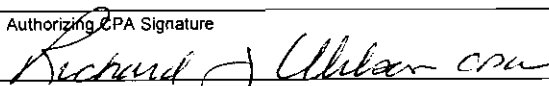
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A - NO SINGLE AUDIT REQUIREMENT	
Certified Public Accountant (Firm Name) WILSON, SHARRAR & FREEZE, P.C.		Telephone Number 989-773-6449	
Street Address 5201 S MISSION ROAD		City MT PLEASANT	State MI
		Zip 48858	
Authorizing CPA Signature 		Printed Name RICHARD J WILSON, CPA	License Number 1101013196

VILLAGE OF MARION, MICHIGAN
FEBRUARY 28, 2007

TABLE OF CONTENTS

	<u>Pages</u>
<u>Section 1: Financial Section</u>	
Independent Auditors' Report	i
Managements Discussion and Analysis	ii – x
 Basic Financial Statements	
Government – Wide Financial Statements	
Statement of Net Assets	1 – 2
Statement of Activities	3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4
Reconciliation of Balance Sheet of Governmental Funds To the Statements of Net Assets	5
Statements of Revenue, Expenditures and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures And changes in Fund Balances to the Statement Activities	7
Proprietary Funds	
Statement of Net Assets	8
Statements of Revenues, Expenses and Changes in Fund Net Assets	9
Statement of Cash Flows	10
Component Units	
Statement of Net Assets	11
Statement of Activities	12
Notes to Financial Statements	13 – 34
 Required Supplementary Information	
Budgetary Comparison Schedule – Major Governmental Funds	35 – 36
 Financial Statements of Individual Funds	
Major Governmental Funds	
<u>General Fund</u>	
Comparative Balance Sheet	37
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	38
Analysis of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	39 – 44
<u>Special Revenue Funds</u>	
<u>Major Street Fund</u>	

Comparative Balance Sheet	45
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	46 – 47

Pages

Local Street Fund

Comparative Balance Sheet	48
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	49

Debt Retirement Fund

2002 General Obligation Unlimited Tax Bonds Debt Retirement Fund

Comparative Balance Sheet	50
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	51

Major Proprietary Funds

Water Supply System

Comparative Statement of Net Assets	52
Schedule of Revenues, Expenditures and Changes in Fund Net Assets	53 – 54
Comparative Statement of Cash Flows	55

Sewage Disposal System

Comparative Statements of Net Assets	56
Schedule of Revenues, Expenditures and Changes in Fund Net Assets	57 – 58
Comparative Statement of Cash Flows	59

Non-Major Governmental Fund Types

Combining Balance Sheet	60
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	61

Industrial Complex Construction Fund

Comparative Balance Sheet	62
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	63

Component Units

Combining Balance Sheet	64
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	65

Marion Community Fire Department

Comparative Balance Sheet	66
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	67 – 68

Downtown Development Authority

Comparative Balance Sheet	69
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	70

Marion Public Library Fund

Comparative Balance Sheet	71
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	72 - 73



Certified Public Accountants

Independent Auditors' Report

To The President and Village Council
Village of Marion, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Marion, Michigan, as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Marion, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Marion, Michigan, as of February 28, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis information on pages ii through x and budgetary comparison information on pages 35 and 36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Marion, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Wilson, Sharrar & Freeze, P.C.
Wilson, Sharrar & Freeze, P.C.

August 30, 2007

VILLAGE OF MARION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED FEBRUARY 28, 2007

The management of the Village of Marion, Michigan ("Village") offers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2007 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Village's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

Government-Wide

- The assets of the Village exceeded its liabilities at the close of this fiscal year by \$2,339,677 (shown as *Net Assets*), representing an decrease of \$69,694 over the previous fiscal year. Governmental Funds had a increase of \$24,770 for the year, while Business-Type activities had an decrease of \$94,464 of the net decrease of \$69,694.

Fund Level Financial Highlights

- As of February 28, 2007 the governmental funds of the Village of Marion reported combined ending fund balances of \$218,063 of which \$153,080 is unreserved.
- The unreserved fund balance of the Village's General Fund decreased this year to \$98,468 or 30.0% of total general fund expenditures.

Long-Term Debt

- The Village of Marion's total debt decreased by \$28,237 during the fiscal year.

Overview of the Financial Statements

The Village of Marion's financial statements consist if three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the Village's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the Village as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

VILLAGE OF MARION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED FEBRUARY 28, 2007

The *Statement of Net Assets* (Pages 1-2) presents information on all of the Village's assets and liabilities, the difference between the two being reported as the Net Assets of the Village. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (page 3) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the Village include general government, public safety, major and local streets, public works, culture and recreation. Business-Type activities of the Village include water and sewer utility services.

Focus on Funds

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The Village's major Governmental Funds include the General Fund, Major Street Fund, Local Street Fund and the 2002 General Obligation Unlimited Tax Bonds Debt Retirement Fund. The major Proprietary Funds include the Water and Sewer Funds. Presentation of major funds can be found on pages 4, 6 and 8 of this document.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Village of Marion uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Many of the Village's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in fund Balance as an expenditure. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds of the Village include the General Fund, Special Revenue Funds, Debt Retirement Fund and Capital Project Funds.

VILLAGE OF MARION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED FEBRUARY 28, 2007

Proprietary Funds Proprietary funds account for services for which the Village charges its customers for the services they are provided. These charges are to external customers. There are two types of proprietary funds:

- Enterprise funds are used to report business like activities of the Village. These activities intend to recover the full cost of the services through the fee charges to the customers. The Village has two enterprise funds, which are the Water Fund and Sewer Fund.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside government. The Village of Marion has no fiduciary funds.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on page 13 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements. This information can be found beginning on page 36 of this report.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Village's financial position over time. The Net Assets of the Village are \$2,339,677 at February 28, 2007 meaning that the Village's assets were greater than its liabilities by this amount.

VILLAGE OF MARION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED FEBRUARY 28, 2007

Village of Marion
Net Assets
(amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and other assets	304	389	123	155	427	544
Capital Assets	864	793	2,725	2,789	3,589	3,582
Total Assets	1,168	1,182	2,848	2,944	4,016	4,126
Long-term liabilities	1,603	1,648	-	-	1,603	1,648
Other liabilities	73	67	-	1	73	68
Total Liabilities	1,676	1,715	-	1	1,676	1,716
Net Assets						
Invested in capital assets net of related debt	863	793	2,725	2,789	3,588	3,582
Restricted for Debt Service	66	66	-	-	66	66
Unrestricted	(1,437)	(1,393)	123	154	(1,314)	(1,239)
Total Net Assets	(508)	(534)	2,848	2,943	2,340	2,409

The most significant portion of the Village's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Village used to acquire or construct the asset. The Village has \$(1,314,049) in unrestricted Net Assets. The negative unrestricted Net Assets is the result of \$1,648,383 of bonds payable that will be maturing over the next 27 years.

The total net assets of the Village decreased \$69,694 in this fiscal year. The following table illustrates and summarizes the results of the changes in the Net Assets for the Village. The condensed information was derived from the government-wide Statement of Activities.

VILLAGE OF MARION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED FEBRUARY 28, 2007

Village of Marion
Changes in Net Assets
(amounts expressed in thousands)

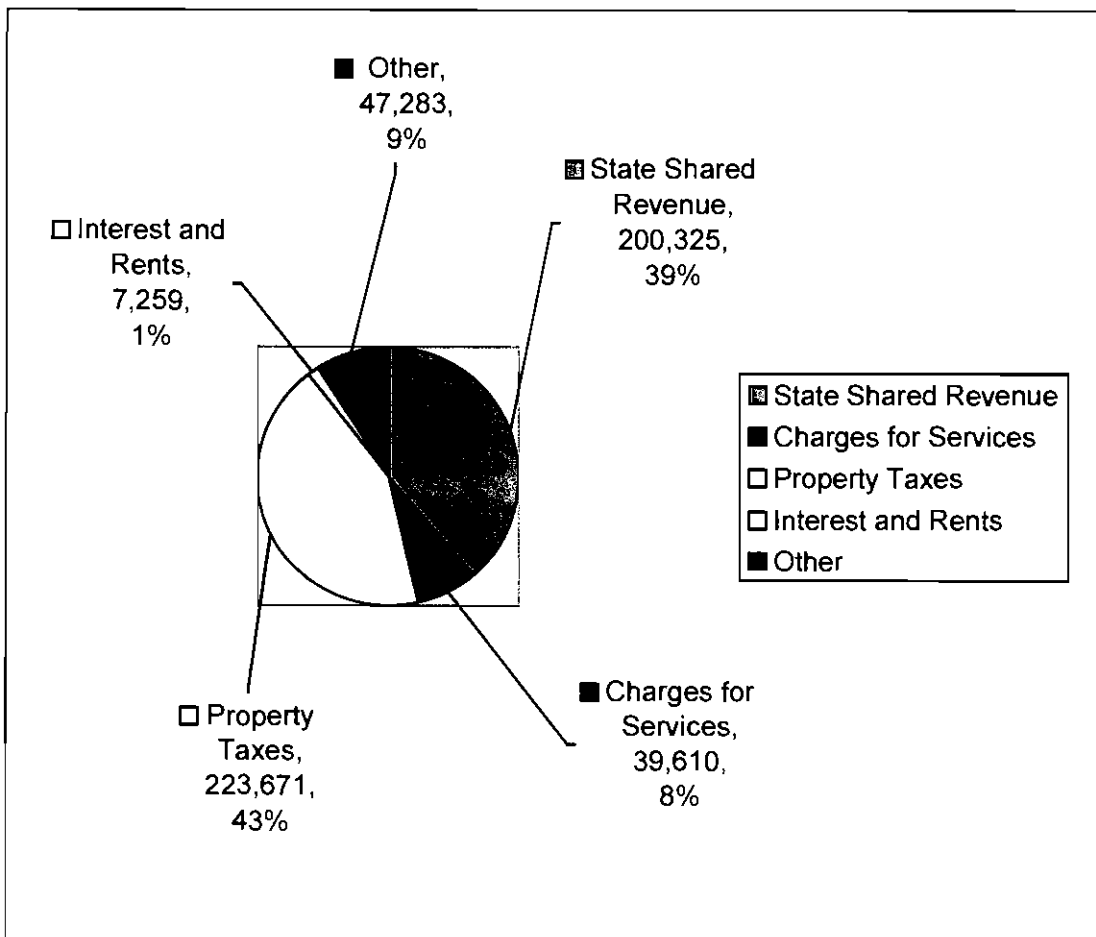
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
<u>Revenues</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program Revenues						
Charges for Services	40	36	160	161	200	197
Capital Grants and Contributions	-	-	-	-	-	-
General Revenue						
Property Taxes	224	211	-	-	224	211
State Shared Revenue	200	205	-	-	200	205
Unrestricted Investment Earnings	7	6	7	0	14	6
Other	57	51	-	-	57	51
Total Revenues	<u>528</u>	<u>509</u>	<u>167</u>	<u>161</u>	<u>695</u>	<u>670</u>
Expenses						
Legislative	23	22	-	-	23	22
General Government	96	101	-	-	96	101
Public Safety	60	58	-	-	60	58
Planning Commission	2	1	-	-	2	1
Public Works	206	239	-	-	206	239
Recreation and Culture	23	21	-	-	23	21
Other Functions	52	58	-	-	52	58
Water and Sewer	-	-	261	265	261	265
Debt Service Interest	41	39	-	-	41	39
Total Expense	<u>503</u>	<u>539</u>	<u>261</u>	<u>265</u>	<u>764</u>	<u>804</u>
Increase (Decrease) in Net Assets	25	-29	(94)	(104)	(69)	(133)
Beginning Net Assets	-534	-505	2,943	3,047	2,409	2,542
Ending Net Assets	<u>-509</u>	<u>-534</u>	<u>2,849</u>	<u>2,943</u>	<u>2,340</u>	<u>2,409</u>

VILLAGE OF MARION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED FEBRUARY 28, 2007

Governmental Activities

The following chart details the revenue sources for the governmental activities of the Village for the fiscal year ended February 28, 2007.

Revenues-Governmental Activities
Fiscal Year Ended February 28, 2007



VILLAGE OF MARION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED FEBRUARY 28, 2007

The most significant portion of the revenue for all governmental activities of the Village of Marion comes from Property Taxes (43%). The Village's operating millage for 2007 was 12.4154 mills.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2007 the amount of the state

shared revenue received by the Village decreased representing declining sales tax collections and discretionary reductions by the State in revenue sharing payment's.

The Village's governmental activities expenses are dominated by the Public Works expenses that total 41% of the total expenses. The Village spent \$206,265 in fiscal year 2007 on Public Works. General Government represented the next largest expense at \$96,045 or 19% of total expenses within the governmental activities.

Business-Type Activities

These activities accounted for a decrease of \$94,464 in the Village's Net Assets.

The Business-Type activities of the Village include the Water Fund and Server Fund which provide water and sewer utility services to Village residents as well as commercial customers.

Financial Analysis of the Government's Funds

Governmental Activities At the completion of the Village's fiscal year ended February 28, 2007 its governmental funds reported fund balances of \$218,063. Of this amount, \$153,080 , or 70% is unreserved. Of this amount \$46,045 of unreserved and undesignated fund balance exists in the Village's Major and Local Street funds. \$64,983 of the remaining fund balance of the governmental funds is reserved for specific purposes and is therefore not available for new appropriation.

General Fund - The General Fund is the main operating fund of the Village. The General Fund decreased its fund balance in this fiscal year by \$39,225, bringing the balance to \$98,468. The General Funds only major functions that ended the year with expenditures above appropriated amounts were the Planning Commision. Property tax revenues in the General Fund increased \$8,807 in 2007, an increase of 6%.

Major Street Fund - The fund balance of the Major Street ended the year at \$32,872. This was a decrease of \$22,851 from the previous year.

Local Street Fund - The fund balance of this fund is at \$13,173, a decrease of \$26,318, during this fiscal year. The General Fund transferred \$14,230 to the Local Street Fund to assist with local street construction projects.

Water Supply System - the Water Supply System ended this fiscal year with \$70,412 in unrestricted net assets. The total operating revenues of the fund increased from \$117,328 in 2006 to \$117,577 in 2007. The net assets of the fund decreased by \$43,761 mainly due to annual depreciation of \$55,613.

VILLAGE OF MARION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED FEBRUARY 28, 2007

Sewage Disposal System – The Sewage Disposal System ended this fiscal year with \$52,794 in unrestricted net assets. The total operating revenues decreased from \$43,540 in 2006 to \$42,211 in 2007. The net assets of the fund decreased \$50,653. This is primarily attributable to depreciation of \$45,693.

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for the governmental and business-type activities as of February 28, 2007 amounted to \$3,581,860 (net of accumulated depreciation). Capital assets of the Village include any items purchased that cost in excess of \$1,000 and have an expected useful life of over one year. The Village has invested in a broad range of capital assets, as detailed below:

Village of Marion
Capital Assets as of February 28, 2007
(amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Land and Land Improvements	242	242	38	38	280	280
Infrastructure	719	623	3,941	3,911	4,660	4,534
Building	297	297	20	20	317	317
Machinery and Equipment	226	198	87	80	313	278
Vehicles	85	85	-	-	85	85
Subtotal	1,569	1,445	4,086	4,049	5,655	5,494
Accumulated Depreciation	(706)	(652)	(1,361)	(1,260)	(2,067)	(1,912)
Net Capital Assets	863	793	2,725	2,789	3,588	3,582

Major capital asset events during the fiscal year ended February 28, 2007 including the following:

- Purchase of Tractor \$24,750.
- New meters for the water and sewer systems \$31,112.
- Roads \$96,919.
- Office equipment and computer \$2,690.

VILLAGE OF MARION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED FEBRUARY 28, 2007

Long Term Debt – As of February 28, 2006, the Village had total bonded debt outstanding of \$1,693,383. 6 mills will be levied to generate the revenue necessary to pay bond principal and interest.

Village of Marion Outstanding Debt
General Obligation and Revenue Bonds
as of February 28, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
General Obligation Bonds	<u>\$ 1,648,383</u>	<u>\$ -</u>	<u>\$ 1,648,383</u>

More information on the Village's long-term debt is available in the Notes to Financial Statements section of this document , on pages 29-31.

Contacting the Village's Finance Department

This financial report is designed to provide the wide variety of Village's use of this document with a general overview of the Village's finances and demonstrate the Village's accountability for the money entrusted to it. If you have any questions regarding this report or need addition financial information, please direct your request to the Village of Marion, Village Clerk, 118 E, Main St., Marion, Michigan 49665 or call us at (231) 743-6801.

VILLAGE OF MARION, MICHIGAN
Statement of Net Assets
February 28, 2007

	ACTIVITIES	ACTIVITES	TOTAL	UNITS
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 179,722	\$ 121,557	\$ 301,279	\$ 309,765
Receivables	124,635	1,799	126,434	18,098
TOTAL CURRENT ASSETS	\$ 304,357	\$ 123,356	\$ 427,713	\$ 327,863
<u>CAPITAL ASSETS</u>				
Capital Assets	\$ 1,569,173	\$ 4,086,254	\$ 5,655,427	\$ 1,660,365
Less Accumulated Depreciation	(705,690)	(1,360,994)	(2,066,684)	(760,461)
TOTAL CAPITAL ASSETS	\$ 863,483	\$ 2,725,260	\$ 3,588,743	\$ 899,904
TOTAL ASSETS	\$ 1,167,840	\$ 2,848,616	\$ 4,016,456	\$ 1,227,767
<u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 6,770	\$ -	\$ 6,770	\$ 4,694
Customer Deposit Payable	-	150	150	-
Payroll Taxes and Retirement Payable	4,428	-	4,428	117
Accured Interest Payable	17,048	-	17,048	1,723
Current Portion of Non-Current Liabilities	45,000	-	45,000	24,466
TOTAL CURRENT LIABILITIES	\$ 73,246	\$ 150	\$ 73,396	\$ 31,000
<u>NON CURRENT LIABILITIES</u>				
Bonds Payable	\$ 1,648,383	\$ -	\$ 1,648,383	\$ -
Capitalized Lease Payable	-	-	-	36,834
Team Loan Payable	-	-	-	48,000
Less Current Portion of Non Current Liabilities	(45,000)	-	(45,000)	(24,466)
TOTAL NON CURRENT LIABILITIES	\$ 1,603,383	\$ -	\$ 1,603,383	\$ 60,368
TOTAL LIABILITIES	\$ 1,676,629	\$ 150	\$ 1,676,779	\$ 91,368

The Notes To These Financial Statements Are An Integral Part Of This Statement.

VILLAGE OF MARION, MICHIGAN
Statement of Net Assets
February 28, 2007

	Primary Government			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET ASSETS				
Invested In Capital Assets				
Net Of Related Debt	\$ 863,483	\$ 2,725,260	\$ 3,588,743	\$ 815,070
Restricted For:				
Debt Service	64,983	-	64,983	-
Unrestricted	(1,437,255)	123,206	(1,314,049)	321,329
TOTAL NET ASSETS	\$ (508,789)	\$ 2,848,466	\$ 2,339,677	\$ 1,136,399
TOTAL LIABILITIES AND NET ASSETS	\$ 1,167,840	\$ 2,848,616	\$ 4,016,456	\$ 1,227,767

The Notes To These Financial Statements Are An Integral Part Of This Statement.

STATE OF MARION, INDIANA

Statement of Activities

Year Ended February 28, 2007

FUNCTIONS/PROGRAMS	PROGRAMS REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS		PRIMARY GOVERNMENT BUSINESS	
			GOVERNMENTAL ACTIVITIES	ACTIVITIES	TOTALS	COMPONENT UNITS
<u>Primary Government</u>						
Governmental Activities						
Legislative	\$ 23,168	\$ -	\$ (23,168)	\$ -	\$ (23,168)	\$ -
General Government	96,045	23,369	(72,676)	-	(72,676)	-
Public Safety	60,011	-	(60,011)	-	(60,011)	-
Planning Commission	1,500	95	(1,405)	-	(1,405)	-
Public Works	206,265	-	(206,265)	-	(206,265)	-
Recreation And Culture	22,907	16,146	(6,761)	-	(6,761)	-
Other Functions	51,491	-	(51,491)	-	(51,491)	-
Debt Services Interest	41,375	-	(41,375)	-	(41,375)	-
Total Governmental Activities	\$ 502,762	\$ 39,610	\$ (463,152)	\$ -	\$ (463,152)	\$ -
Business-Type Activities						
Water	\$ 153,745	\$ 117,577	\$ -	\$ (36,168)	\$ (36,168)	\$ -
Sewer	98,200	42,711	-	(55,489)	(55,489)	-
Total Business-Type Activities	\$ 251,945	\$ 160,288	\$ -	\$ (91,657)	\$ (91,657)	\$ -
Total Primary Government	\$ 754,707	\$ 199,898	\$ (463,152)	\$ (91,657)	\$ (554,809)	\$ -
<u>Component Units</u>						
Marion Community Fire Department	\$ 106,256	\$ 5,148	\$ -	\$ -	\$ (101,108)	\$ (101,108)
Downtown Development Authority	21,929	-	-	-	(21,929)	(21,929)
Marion Public Library	77,339	1,508	-	-	(75,831)	(75,831)
Total Component Units	\$ 205,524	\$ 6,656	\$ -	\$ -	\$ (198,868)	\$ (198,868)

<u>General Revenues</u>						
Property Taxes	\$	223,671	\$	-	\$ 223,671	\$ 27,468
State-Shared Revenues		200,325	-	-	200,325	38,614
Contributions From Local Units		-	-	-	-	72,010
Fines and Forfeits		26	-	-	26	432
Interest And Rents		7,259	6,577	-	13,836	14,536
Other Revenues		47,257	-	-	47,257	9,879
Intergovernmental Revenues		9,384	(9,384)	-	-	38,253
Total General Revenues						
And Transfers	\$	487,922	\$ (2,807)	\$ 485,115	\$ 201,192	\$ 201,192
Change in Net Assets	\$	24,770	\$ (94,464)	\$ (69,694)	\$ 2,324	\$ 2,324
Net Assets-Beginning of Year		(533,559)	2,942,930	2,409,371	1,134,075	1,134,075
Net Assets-End of Year	\$	(508,789)	\$ 2,848,466	\$ 2,339,677	\$ 1,136,399	\$ 1,136,399

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF MANTON, MICHIGAN
Governmental Fund Balance Sheet
February 28, 2007

	General Fund	Major Street Fund	Local Street Fund	2002 General Obligation Unlimited Tax Bonds Debt Retirement Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 78,651	\$ 23,632	\$ 3,889	\$ 64,983	\$ 8,567	\$ 179,722
Receivables-Net						
Property Taxes	16,244	-	-	-	-	16,244
Due From Other Governments	18,926	9,484	4,885	-	-	33,295
Due From Other Funds	255	11	4,399	-	-	4,665
Total Assets	\$ 114,076	\$ 33,127	\$ 13,173	\$ 64,983	\$ 8,567	\$ 233,926
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 4,971	\$ -	\$ -	\$ -	\$ -	\$ 4,971
Due to Other Funds	6,209	255	-	-	-	6,464
Payroll Taxes And Retirement Payable	4,428	-	-	-	-	4,428
Total Liabilities	\$ 15,608	\$ 255	\$ -	\$ -	\$ -	\$ 15,863
FUND BALANCE						
Reserved For Debt Service	\$ -	\$ -	\$ -	\$ 64,983	\$ -	\$ 64,983
Unreserved, Undesignated	98,468	32,872	13,173	-	8,567	153,080
Total Fund Balances	\$ 98,468	\$ 32,872	\$ 13,173	\$ 64,983	\$ 8,567	\$ 218,063
Total Liabilities and Fund Balances	\$ 114,076	\$ 33,127	\$ 13,173	\$ 64,983	\$ 8,567	\$ 233,926

The Notes To The Financial Statements Are An Integral Part Of This Statement.

VILLAGE OF MARION, MICHIGAN
Reconciliation of Balance Sheet of Governmental Funds to the
Statement of Net Assets
February 28, 2007

Total Governmental Fund Balances		\$ 218,063
Amounts Reported For governmental Activities In The Statement of Net Assets Are Different Because:		
Capital Assets Used In Governmental Activities Are Not Financial Resources And Not Reported In The Funds		
Cost Of Capital Assets	\$ 1,569,173	
Accumulated Depreciaton	<u>(705,690)</u>	863,483
Long-term Receivables Not Collectible In The Current Period Are Not Reported In The Funds		74,176
Accured Interest Receivable On The Long Term Receivables Are Not Reported In The Funds		920
Long-Term Liabilities Are Not Due And Payable In The Current Period And Are Not Reported In The Fund		(1,648,383)
Accured Interest Payable On Long-Term Debt Is Not Reported In The Funds		<u>(17,048)</u>
Net Assets of Governmental Activites		<u><u>\$ (508,789)</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement

VILLAGE OF MARION, MICHIGAN
Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances
Year Ended February 28, 2007

	General Fund	Street Fund	Street Fund	Bonds Debt Retirement Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 148,674	\$ -	\$ -	\$ 74,997	\$ -	\$ 223,671
State Grants	111,073	64,553	24,699	-	-	200,325
Charges for Services	39,610	-	-	-	-	39,610
Fines and Forfeits	26	-	-	-	-	26
Interest and Rents	3,633	805	414	2,278	152	7,282
Other Revenue	49,114	-	-	-	-	49,114
Total Revenues	\$ 352,130	\$ 65,358	\$ 25,113	\$ 77,275	\$ 152	\$ 520,028
EXPENDITURES						
Legislative	\$ 23,168	\$ -	\$ -	\$ -	\$ -	\$ 23,166
General Government	89,758	-	-	-	-	89,758
Public Safety	59,787	-	-	-	-	59,787
Planning Commission	1,500	-	-	-	-	1,500
Public Works	93,007	88,009	65,461	-	-	246,477
Recreation and Culture	21,261	-	-	-	-	21,281
Other Functions	51,491	-	-	-	-	51,491
Debt Service	-	-	-	-	-	-
Principal	-	-	-	45,000	-	45,000
Interest and Fiscal Charges	-	-	-	41,841	-	41,641
Total Expenditures	\$ 339,972	\$ 88,009	\$ 65,461	\$ 86,841	\$ -	\$ 580,283
Excess (Deficiency of Revenues Over Expenditures)	\$ 12,158	\$ (22,651)	\$ (40,348)	\$ (9,566)	\$ 152	\$ (60,255)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	\$ 1,100	\$ -	\$ 14,230	\$ 8,684	\$ -	\$ 24,014
Operating Transfers Out	(14,230)	(200)	(200)	-	-	(14,630)
Operating Transfers to Component Units	(38,253)	-	-	-	-	(38,253)
Total Other Financing Sources (Uses)	\$ (51,383)	\$ (200)	\$ 14,030	\$ 8,684	\$ -	\$ (28,869)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (39,225)	\$ (22,851)	\$ (26,318)	\$ (882)	\$ 152	\$ (89,124)
Fund Balance- Beginning of Year	137,693	55,723	39,491	65,885	8,415	307,187
Fund Balance- End of Year	\$ 98,468	\$ 32,872	\$ 13,173	\$ 64,983	\$ 8,567	\$ 218,063

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MARION, MICHIGAN
Reconciliation Of The Statement Of Revenues, Expenditures And Changes In
Fund Balances Of Governmental Funds To The Statements Of Activities
Year Ended February 28, 2007

Net Change In Fund Balances Total Governmental Funds		\$ (89,124)
Amounts Reported For Governmental Activities Are Different Because:		
Governmental Funds Report Capital Outlays As Expenditures; In The Statement Of Activities, These Cost Are Allocated Over Their Estimated Useful Lives As Depreciation		
Depreciation Expenses	\$ (54,051)	
Capital Outlay	<u>124,359</u>	70,308
Repayments Of Bond Principal Is An Expenditure In The Governmental Funds, But Not In The Statement Of Activities		45,000
Accrued Interest On Bonds Is Recorded In The Statement Of Activities When Incurred; It Is Not Recorded In The Governmental Funds Until It Is Paid		
Accrued Interest - Beginning Of Year	17,514	
Accrued Interest - End Of Year	<u>(17,048)</u>	466
Receipt Of Principal On Long-Term Receivables Is Recorded As Revenue In The Governmental Funds, It Is Recorded As A Reduction In Receivables On The Statement Of Activities		(1,857)
Accrued Interest Receivable On Long-Term Receivables Is Not Recorded In The Governmental Funds But Is In The Statement Of Activities		<u>(23)</u>
Change In Net Assets Of Governmental Activities		<u><u>\$ 24,770</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement

VILLAGE OF MARION, MICHIGAN
Proprietary Funds Statement of Net Assets
February 28, 2007

	Major Funds		
	Water Supply	Sewage Disposal	Totals
<u>Assets</u>			
<u>Current Assets</u>			
Cash	\$ 68,763	\$ 52,794	\$ 121,557
Due from General Fund	1,799	-	1,799
Total Current Assets	<u>\$ 70,562</u>	<u>\$ 52,794</u>	<u>\$ 123,356</u>
<u>Capital Assets</u>			
Land and Land Improvements	\$ 17,550	\$ 20,138	\$ 37,688
Building	-	20,000	20,000
Machinery and Equipment	58,154	28,795	86,949
Water Systems	2,239,680	-	2,239,680
Sewer Systems	-	1,701,937	1,701,937
Less Accumulated Depreciation	<u>(394,510)</u>	<u>(966,484)</u>	<u>(1,360,994)</u>
Net Capital Assets	<u>\$ 1,920,874</u>	<u>\$ 804,386</u>	<u>\$ 2,725,260</u>
Total Assets	<u><u>\$ 1,991,436</u></u>	<u><u>\$ 857,180</u></u>	<u><u>\$ 2,848,616</u></u>
<u>Liabilities</u>			
Account Payable	-	-	-
Customer Deposits Payable	<u>150</u>	<u>-</u>	<u>150</u>
Total Liabilities	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ 150</u>
<u>Net Assets</u>			
Invested in Capital Assets	\$ 1,920,874	\$ 804,386	\$ 2,725,260
Net of Related Debt	<u>70,412</u>	<u>52,794</u>	<u>123,206</u>
Unrestricted	<u>\$ 1,991,286</u>	<u>\$ 857,180</u>	<u>\$ 2,848,466</u>
Total Net Assets			

The Notes to the Financial Statements are an Integral Part of this Statement

VILLAGE OF MARION, MICHIGAN
Proprietary Funds Statement of Revenues, Expenses and Changes In Fund Net Assets
Year Ended February, 28, 2007

	Major Funds		
	Water Supply	Sewage Disposal	Totals
<u>Operating Revenues</u>			
Charges for Services	\$ 117,577	\$ 42,711	\$ 160,288
<u>Operating Expenses</u>			
Personal Services	\$ 16,572	\$ 11,471	\$ 28,043
Employee Benefits	10,902	7,514	18,416
Administrative Services	8,000	8,000	16,000
Contractual Services	30,986	-	30,986
Office Supplies and Expense	721	517	1,238
Operating Supplies and Expense	16,012	15,146	31,158
Heat, Light and Power	9,279	1,918	11,197
Depreciation	55,613	45,693	101,306
Rentals	5,660	7,941	13,601
Total Operating Expenses	\$ 153,745	\$ 98,200	\$ 251,945
Operating Income (Loss)	\$ (36,168)	\$ (55,489)	\$ (91,657)
<u>Nonoperating Revenues (Expenses)</u>			
Interest	\$ 1,291	\$ 1,286	\$ 2,577
Rentals	-	4,000	4,000
Assessments in Lieu of Property Taxes	(8,684)	-	(8,684)
Total Nonoperating Revenues (Expenses)	\$ (7,393)	\$ 5,286	\$ (2,107)
Income (Loss) Before Contributions	\$ (43,561)	\$ (50,203)	\$ (93,764)
Transfers (Out)	(200)	(500)	(700)
Change In Net Assets	\$ (43,761)	\$ (50,703)	\$ (94,464)
Net Assets- Beginning of Year	2,035,047	907,883	2,942,930
Net Assets- End of Year	\$ 1,991,286	\$ 857,180	\$ 2,848,466

The Notes to the Financial Statements are an Integral Part of this Statement

VILLAGE OF MARION, MICHIGAN
Proprietary Funds Statement Cash Flows
Year Ended February 28, 2007

	Major Funds		
	Water Supply	Sewage Disposal	Totals
<u>Cash Flows From Operating Activities</u>			
Receipts From Customers	\$ 117,577	\$ 42,211	\$ 159,788
Other Revenues	-	-	-
Payments To Suppliers	(70,453)	(24,748)	(95,201)
Payments To Employees	(16,572)	(11,471)	(28,043)
Payments To Other Funds	(13,660)	(15,941)	(29,601)
Net Cash Provided (Used) By Operating Activities	\$ 16,892	\$ (9,949)	\$ 6,943
<u>Cash Flows From Non-Capital Financing Activities</u>			
Operating Transfers To Other Funds	\$ (8,884)	\$ (500)	\$ (9,384)
Rental Income	-	4,000	4,000
Net Cash Provided (Used) By Non-Capital Financing Activities	\$ (8,884)	\$ 3,500	\$ (5,384)
<u>Cash Flows From Capital and Related Financing Activities</u>			
Purchase Of Capital Assets	\$ (16,334)	\$ (21,547)	\$ (37,881)
Net Cash Provided (Used) By Capital And Related Financing Activities	\$ (16,334)	\$ (21,547)	\$ (37,881)
<u>Cash Flows From Investing Activities</u>			
Interest	\$ 1,291	\$ 1,286	\$ 2,577
Net Increase (Decrease) In Cash and Cash Equivalents	\$ (7,035)	\$ (26,710)	\$ (33,745)
Cash and Cash Equivalents Beginning Of Year	75,798	79,504	155,302
Cash and Cash Equivalents End Of Year	\$ 68,763	\$ 52,794	\$ 121,557
<u>Reconciliation Of Operating Income (Loss)</u>			
<u>To Net Cash Provided (Used) By Operating Activities</u>			
Operating Income (Loss)	\$ (36,168)	\$ (55,489)	\$ (91,657)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities			
Depreciation Expense	55,613	45,693	101,306
Changes In Assets and Liabilities:			
(Increase) Decrease in due from other Funds	(1,799)	-	(1,799)
Increase (Decrease) In Accounts Payable	(754)	(153)	(907)
Net Cash Provided By Operating Activities	\$ 16,892	\$ (9,949)	\$ 6,943

The Notes to the Financial Statements are an Integral Part of this Statement

VILLAGE OF MARION, MICHIGAN
Statement Of Net Asset – Component Units
February 28, 2007

	Marion Community Fire Dept.	Downtown Development Authority	Marion Public Library	Total Component Units
<u>Assets</u>				
Cash	\$ 45,440	\$ 23,483	\$ 240,842	\$ 309,765
Accounts Receivable	15,852	-	2,246	18,098
Total Current Assets	\$ 61,292	\$ 23,483	\$ 243,088	\$ 327,863
Capital Assets	\$ 939,353	\$ 367,144	\$ 353,868	\$ 1,660,365
Less Depreciation	(496,059)	(62,597)	(201,805)	(760,461)
Net Capital Assets	\$ 443,294	\$ 304,547	\$ 152,063	\$ 899,904
Total Assets	\$ 504,586	\$ 328,030	\$ 395,151	\$ 1,227,767
 <u>Liabilities</u>				
Accounts Payable	\$ 4,100	\$ -	\$ 594	\$ 4,694
Retirement Payable	-	-	117	117
Accrued Interest	454	1,269	0	1,723
Total Current Liabilities	\$ 4,554	\$ 1,269	\$ 711	\$ 6,534
Noncurrent Liabilities				
Due Within One Year	8,466	16,000	-	24,466
Due In More Than One Year	28,368	32,000	-	60,368
TOTAL LIABILITIES	\$ 41,388	\$ 49,269	\$ 711	\$ 91,368
 <u>Net Assets</u>				
Invested In Capital Assets-Net Of Related Debt	\$ 406,460	\$ 256,547	\$ 152,063	\$ 815,070
Unrestricted	56,738	22,214	242,377	321,329
Total Net Assets	\$ 463,198	\$ 278,761	\$ 394,440	\$ 1,136,399

The Notes to the Financial Statements are an Integral Part of this Statement

Village of Marion, Michigan
Statement Of Activities-Component Units
Year Ended February 28, 2007

Functions/Programs	Program Revenues		Net(Expense) Revenue and Changes In Net Assets			
	Expenses	Charges For Services	Marion Community Fire Dept.	Downtown Development Authority	Marion Public Library	Total
Marion Community Fire Dept						
Public Safety	\$ 104,640	\$ 5,148	\$ (99,492)	\$ -	\$ -	\$ (99,492)
Debt Service- Interest On Long-Term Debt	<u>1,616</u>	<u>-</u>	<u>(1,616)</u>	<u>-</u>	<u>-</u>	<u>(1,616)</u>
Total Marion Community Fire Dept	<u>\$ 106,256</u>	<u>\$ 5,148</u>	<u>\$ (101,108)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (101,108)</u>
Downtown Development Authority						
General Government						
Buildings and Grounds	\$ 18,475	\$ -	\$ -	\$ (18,475)	\$ -	\$ (18,475)
Debt Service- Interest On Long term Debt	<u>3,454</u>	<u>-</u>	<u>-</u>	<u>(3,454)</u>	<u>-</u>	<u>(3,454)</u>
Total Downtown Development Authority	<u>\$ 21,929</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(21,929)</u>	<u>\$ -</u>	<u>(21,929)</u>
Marion Public Library						
Recreation and Culture	\$ 77,339	\$ 1,508	\$ -	\$ -	\$ (75,831)	\$ (75,831)
Total Component Units	<u>\$ 205,524</u>	<u>\$ 6,656</u>	<u>\$ (101,108)</u>	<u>\$ (21,929)</u>	<u>\$ (75,831)</u>	<u>\$ (198,868)</u>
General Revenues						
Property Taxes			\$ -	\$ 15,279	\$ 12,189	\$ 27,468
State-Shared Revenues			-	-	38,614	38,614
Contributions From Local Units			69,020	-	2,990	72,010
Fines and Forfeits			-	-	432	432
Interest And Rents			407	5,401	8,728	14,536
Other Revenues			2,516	1,756	5,607	9,879
Intergovernmental Revenues			5,786	32,467	-	38,253
Total General Revenues			<u>\$ 77,729</u>	<u>\$ 54,903</u>	<u>\$ 68,560</u>	<u>\$ 201,192</u>
Changes In Net Assets						
			\$ (23,379)	\$ 32,974	\$ (7,271)	\$ 2,324
Net Assets-Beginning of Year			<u>486,577</u>	<u>245,787</u>	<u>401,711</u>	<u>1,134,075</u>
Net Assets-End of Year			<u>\$ 463,198</u>	<u>\$ 278,761</u>	<u>\$ 394,440</u>	<u>\$ 1,136,399</u>

The Notes to the Financial Statements are an Integral Part of this Statement

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements
February 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Marion, Michigan, was incorporated in 1889. The Village is a general law Village and has adopted Act 3 of 1895 of the State of Michigan as its charter. The Village operates under a council/president form of government and provides the following services as authorized by its charter: Public safety (police and fire), highways and streets, sanitation, health, culture-recreation, public improvements and general administrative services. In addition the Village operates water and sewer enterprise funds.

The accounting policies of the Local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

A. Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is consider to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities and Relationships to Village</u>
Marion Community Fire Department	Provide fire protection to Village and surrounding participating townships. Village contributes to cost of operation.
Downtown Development Authority	Receive property tax revenues from the Village and Marion Township and use those monies to promote economic growth and increase property tax valuation within the business district.
Marion Public Library	Maintain Community Library for use by Village and participating township residents. The Village levies one mill for operation of the library.

B. Government- wide and Fund Financial Statements

During fiscal year 2005, the Village adopted GASB Statement No. 34, *Basic Financial Statements and Management' s Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38 and applied those statements on a retroactive basis. GASB statement No.34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements – Continued
February 28, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES–Continued

Invested In Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset used are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

1. Basic Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

–Continued–

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements – Continued
February 28, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Village are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum numbers of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The Village of Marion reports the following major governmental funds:

The *General Fund* is the government' s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares and for the maintenance contract of the state trunklines.

The *Local Street Fund* receives all local street money paid to the city by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of general obligation bond principal and interest and related costs.

The Village of Marion reports the following major proprietary funds:

The *Water Fund* records financial activity of the water system which provides water to customers.

The *Sewer Fund* records financial activity of the sewage disposal services to its customers.

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements – Continued
February 28, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund and Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

1. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments – The Village's investment policy is in compliance with state law and authorizes the Village to invest in passbook savings accounts, negotiable and nonnegotiable certificates of deposit, repurchase agreements backed by the United States government or federal agency obligations, United States Treasury bills and bonds, bankers acceptances, federal agency instruments, money market funds and commercial paper. Investments in commercial paper must be rated in one of the two highest rating categories by Standard and Poor's or Moody's and are limited to fifty percent of a funds portfolio in accordance with state statutes. Investments are stated at fair value which is determined using selected bases. Securities traded on a national exchange are valued at the last reported sales price. Managed funds not listed on an established market are reported at fair value as determined by the respective fund managers based on quoted prices of underlying securities.

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements – Continued
February 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

3. Property Taxes

Property taxes attach as an enforceable lien on property as of March 1. Village taxes are levied July 1, and are due by August 15. The Village bills and collects its own property taxes. Village property tax revenues are recognized when levied to the extent that they result in current receivables.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested process over the same period.

Property, plant and equipment are depreciated in the proprietary funds of the government using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Land Improvements	10-30
Buildings	20-50
Roads	15-20
Water And Sewer Lines	20-50
Equipment	7-15
Computer Equipment	5
Vehicles	6-20

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

5. Compensated Absences

The Village has a policy that does not permit employees to accumulate sick pay, bank overtime hours or accumulate unused vacation benefits. At February 28, 2007 there were therefore no deferred compensated absences to be reflected in the financial statements.

6. Long-Term Obligations

In the government-wide financial statements, and proprietary funds types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amount that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements – Continued
February 28, 2007

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to February 28, the budget committee submits, to the Village Council, a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to February 28, the budget is legally enacted through passage of resolution. The budget is adopted on an activity level.
4. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the Village Council. General Fund expenditures may not legally exceed appropriations at the major function level. Expenditures in all other funds may not exceed appropriations at the total fund level.
5. Budgets for the General and Special Revenues Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Village Council from time to time throughout the year. The Village amended its budget on one occasion during the current fiscal year.
6. Budget appropriations lapse at the end of the fiscal year for all funds.
7. Encumbrance accounting, under which purchase orders, contract, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village of Marion because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements – Continued
February 28, 2007

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY–Continued

B. Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Planning Commision	\$ 1,000	\$ 1,500
Major Street Fund		
Public Works	81,000	88,009
Local Street Fund		
Public Works	60,500	65,461
2002 Debt Retirement Fund	86,772	86,841
Water Supply System		
Operating Expenses	133,474	153,745
Sewage Disposal System		
Operating Expenses	77,800	98,200
 Marion Community		
Fire Department Fund		
Expenditures	70,875	122,990
Marion Public Library Fund		
Expenditures	85,130	86,766

NOTE 3 – DEPOSITS AND INVESTMENTS

The Village' s deposits are all on deposit with Citizen' s Bank in Marion, Michigan, Chemical Bank, McBain, MI and Fifth Third Bank in Lake City, Michigan.

Investment rate risk. The Village will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Village' s cash requirement.

Foreign currency risk. The Village is not authorized to invest in investments, which have this type of risk.

Credit risk. The Village will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Village' s investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Village will do business in accordance with the Village' s investment policy.

–Continued–

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements – Continued
February 28, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS–Continued

Concentration of credit risk. The village will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Village' s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government' s deposits may not be returned to it. As of February 28, 2007, \$131,348 of the government' s bank balance of \$301,130 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of February 28, 2007, \$118,088 of the component unit' s bank balance of \$309,765 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village' s investments are categorized to give an indication of the level of risk assumed by the Village at year end. Category 1 includes investments that are insured or registered, or securities held by the Village or the Village' s agent in the Village' s name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty' s trust department or its agent in the Village' s name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Village' s name. At year end, the Village held no investments.

NOTE 4 – RECEIVABLES

Receivables as of year-end for the government' s individual major and nonmajor funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Major Street	Local Street	Water and Sewer	Bond Payment Fund	Nonmajor and Other Funds	Total	Component Units
Receivables								
Accounts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	16,244	-	-	-	-	-	16,244	-
Other Governmental								
Units	18,926	9,484	4,885	-	-	-	33,295	18,098
Marion Public School								
Water Project	-	-	-	-	75,096	-	75,096	-
Less: Allowance For								
Uncollectables	-	-	-	-	-	-	-	-
Net Receivables	<u>\$ 35,170</u>	<u>\$ 9,484</u>	<u>\$ 4,885</u>	<u>\$ -</u>	<u>\$ 75,096</u>	<u>\$ -</u>	<u>\$ 124,635</u>	<u>\$ 18,098</u>

Because of the timing of the collection cycle for water and sewer billings and the strict turn-off policies for non payment, the receivables for water and sewer service were immaterial at February 2007 and 2006.

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements – Continued
February 28, 2007

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 114,554	\$ -	\$ -	\$ 114,554
Capital Assets Being Depreciated				
Buildings	\$ 296,688	\$ -	\$ -	\$ 296,688
Land Improvements	127,588	-	-	127,588
Machinery and Equipment	198,227	27,440	-	225,667
Vehicles	85,127	-	-	85,127
Paved Roads	575,462	96,919	-	672,381
Unpaved Roads	47,168	-	-	47,168
Total Capital Assets Being Depreciated	<u>\$ 1,330,260</u>	<u>\$ 124,359</u>	<u>\$ -</u>	<u>\$ 1,454,619</u>
Less Accumulated Depreciation For:				
Buildings	\$ 79,107	\$ 6,260	\$ -	\$ 85,367
Land Improvements	52,197	5,513	-	57,710
Machinery and Equipment	99,656	15,531	-	115,187
Vehicles	85,127	-	-	85,127
Paved Roads	316,337	23,602	-	339,939
Unpaved Roads	19,215	3,145	-	22,360
Total Accumulated Depreciation	<u>\$ 651,639</u>	<u>\$ 54,051</u>	<u>\$ -</u>	<u>\$ 705,690</u>
Net Capital Assets Being Depreciated	<u>\$ 678,621</u>	<u>\$ 70,308</u>	<u>\$ -</u>	<u>\$ 748,929</u>
Total Governmental Activities, Net Of Depreciation	<u>\$ 793,175</u>	<u>\$ 70,308</u>	<u>\$ -</u>	<u>\$ 863,483</u>

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2007

NOTE 5 - CAPITAL ASSETS-continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business - Type Activities				
<u>Sewer</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 20,138	\$ -	\$ -	\$ 20,138
Capital Assets Being Depreciated				
Buildings	\$ 20,000	\$ -	\$ -	\$ 20,000
Machinery and Equipment	25,895	2,900	-	28,795
Collection System	1,057,228	-	-	1,057,228
Lift Station	113,672	-	-	113,672
Treatment System	512,391	-	-	512,391
Meters	-	18,646	-	18,646
Total Capital Assets Being Depreciated	\$ 1,729,186	\$ 21,546	\$ -	\$ 1,750,732
Less Accumulated Depreciation For:				
Buildings	\$ 1,800	\$ 400	\$ -	\$ 2,200
Machinery and Equipment	19,819	1,676	-	21,495
Collection System	564,754	21,123	-	585,877
Lift Station	80,727	4,242	-	84,969
Treatment System	253,692	17,785	-	271,477
Meters	-	466	-	466
Total Accumulated Depreciation	\$ 920,792	\$ 45,632	\$ -	\$ 966,424
Net Capital Assets Being Depreciated-Sewer	\$ 808,394	\$ (24,146)	\$ -	\$ 784,248
Net Sewer Capital Assets	<u>\$ 828,532</u>	<u>\$ (24,146)</u>	<u>\$ -</u>	<u>\$ 804,386</u>

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements – Continued
February 28, 2007

NOTE 5 – CAPITAL ASSETS-continued

	Beginning Balance	Increases	Decreases	Ending Balance
Business - Type Activities-continued				
<u>Water</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 12,150	\$ -	\$ -	\$ 12,150
Capital Assets Being Depreciated				
Land Improvements	\$ 5,400	\$ -	\$ -	\$ 5,400
Machinery and Equipment	54,286	3,868	-	58,154
Wells, Pumps and Pump House	247,674	-	-	247,674
Mains and Connections	1,809,521	-	-	1,809,521
Towers	126,875	-	-	126,875
Meters	43,144	12,466	-	55,610
Total Capital Assets Being Depreciated	\$ 2,286,900	\$ 16,334	\$ -	\$ 2,303,234
Less Accumulated Depreciation For:				
Land Improvements	\$ 540	\$ 360	\$ -	\$ 900
Machinery and Equipment	33,054	5,883	-	38,937
Wells, Pumps and Pump House	138,423	7,532	-	145,955
Mains and Connections	64,388	36,190	-	100,578
Towers	80,471	3,820	-	84,291
Meters	22,021	1,828	-	23,849
Total Accumulated Depreciation	\$ 338,897	\$ 55,613	\$ -	\$ 394,510
Net Capital Assets Being Depreciated-Water	\$ 1,948,003	\$ (39,279)	\$ -	\$ 1,908,724
Net Water Capital Assets	\$ 1,960,153	\$ (39,279)	\$ -	\$ 1,920,874
Total Business- Type Activities- Net Of Depreciation	\$ 2,788,685	\$ (63,425)	\$ -	\$ 2,725,260

Depreciation Expense Was Charged to Functions/Programs Of The Primary Government As Follows:

Governmental Activities:	
General Government	\$ 7,512
Public Safety	1,689
Public Works	17,054
Recreation and Culture	1,646
Major Streets	9,858
Local Streets	16,292
Total Depreciation- Governmental Activities	\$ 54,051
Business-Type Activities	
Sewer	\$ 45,692
Water	55,613
Total Depreciation Expenses- Business-Type Activities	\$ 101,305

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2007

NOTE 5 - CAPITAL ASSETS-continued

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Discretely Presented Component Units</u>				
<u>Fire Department</u>				
Capital Assets, Not Being Depreciated	\$ -	\$ -	\$ -	\$ -
Capital Assets Being Depreciated				
Buildings	\$ 40,996	\$ 11,450	\$ -	\$ 52,446
Machinery And Equipment	384,271	7,295	-	391,566
Vehicles	449,249	46,092	-	495,341
Total Capital Assets Being Depreciated	\$ 874,516	\$ 64,837	\$ -	\$ 939,353
Less Accumulated Depreciation For:				
Buildings	\$ 13,171	\$ 1,460	\$ -	\$ 14,631
Machinery And Equipment	160,153	26,168	-	186,321
Vehicles	276,248	18,859	-	295,107
Total Accumulated Depreciation	\$ 449,572	\$ 46,487	\$ -	\$ 496,059
Net Capital Assets Being Depreciated	\$ 424,944	\$ 18,350	\$ -	\$ 443,294
Net Fire Department Capital Assets	<u>\$ 424,944</u>	<u>\$ 18,350</u>	<u>\$ -</u>	<u>\$ 443,294</u>
<u>Downtown Development Authority</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 74,284	\$ -	\$ -	\$ 74,284
Capital Assets Being Depreciated				
Buildings	\$ 121,849	\$ 70,647	\$ -	\$ 192,496
Land Improvements	93,133	-	-	93,133
Machinery And Equipment	7,231	-	-	7,231
Total Capital Assets Being Depreciated	\$ 222,213	\$ 70,647	\$ -	\$ 292,860
Less Accumulated Depreciation For:				
Buildings	\$ 3,103	\$ 3,143	\$ -	\$ 6,246
Land Improvements	47,116	5,116	-	52,232
Machinery And Equipment	3,656	463	-	4,119
Total Accumulated Depreciation	\$ 53,875	\$ 8,722	\$ -	\$ 62,597
Net Capital Assets Being Depreciated	\$ 168,338	\$ 61,925	\$ -	\$ 230,263
Net Downtown Development Authority Capital Assets	<u>\$ 242,622</u>	<u>\$ 61,925</u>	<u>\$ -</u>	<u>\$ 304,547</u>

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements – Continued
February 28, 2007

NOTE 5 – CAPITAL ASSETS-continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Discretely Presented Component Units-Continued</u>				
<u>Library</u>				
Capital Assets Not Being Depreciated				
Land	\$ 13,223	\$ -	\$ -	\$ 13,223
Capital Assets Being Depreciated				
Buildings	\$ 140,666	\$ -	\$ -	\$ 140,666
Land Improvements	19,482	-	-	19,482
Machinery And Equipment	52,670	11,532		64,202
Library Books	106,274	10,021	-	116,295
Total Capital Assets Being Depreciated	<u>\$ 319,092</u>	<u>\$ 21,553</u>	<u>\$ -</u>	<u>\$ 340,645</u>
Less Accumulated Depreciation For:				
Buildings	\$ 55,000	\$ 2,813	\$ -	\$ 57,813
Land Improvements	2,028	951	-	2,979
Machinery And Equipment	40,360	2,544		42,904
Library Books	92,291	5,818	-	98,109
Total Accumulated Depreciation	<u>\$ 189,679</u>	<u>\$ 12,126</u>	<u>\$ -</u>	<u>\$ 201,805</u>
Net Capital Assets Being Depreciated	<u>\$ 129,413</u>	<u>\$ 9,427</u>	<u>\$ -</u>	<u>\$ 138,840</u>
Net Library Capital				
Assets Being Depreciated	<u>\$ 142,636</u>	<u>\$ 9,427</u>	<u>\$ -</u>	<u>\$ 152,063</u>
Total Discretely Present Component				
Units, Net Of Depreciated	<u>\$ 810,202</u>	<u>\$ 89,702</u>	<u>\$ -</u>	<u>\$ 899,904</u>

Depreciation Expenses Was Charged To Functions/Programs Of The Discretely Presented Component Units As Follows:

Fire Department	\$ 46,487
Downtown Development Authority	8,722
Library	<u>12,126</u>
Total Depreciation Expense-Discretely Presented Component Units	<u>\$ 67,335</u>

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements – Continued
February 28, 2007

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Fund</u>	<u>Interfund Receivables Due From's</u>	<u>Interfunds Payables Due To's</u>
General Fund		
Major Street Fund	\$ 255	\$ 11
Local Street Fund	-	4,399
Water Supply System		1,799
Major Street Fund		
General Fund	11	255
Local Street Fund		
General Fund	4,399	-
Water Supply System		
General Fund	1,799	-
	<u>\$ 6,464</u>	<u>\$ 6,464</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Major Street Fund	\$ 200	\$ -
Local Street Fund	200	-
Water Supply System	200	14,230
Sewage Disposal System	500	-
Component Units:		
Marion Community Fire Dept	-	5,786
Downtown Development Authority	-	32,467
Major Street Fund		
General Fund	-	200
Local Street Fund		
General Fund	14,230	200
Water Bond Debt Retirement Fund		
Water Supply System	8,684	-
Water Supply System		
General Fund	-	200
Water Bond Debt Retirement Fund	-	8,684
Sewage Disposal System		
General Fund	-	500
Component Units		
Marion Community Fire Dept		
General Fund	5,786	-
Downtown Development Authority		
General Fund	32,467	
Totals	<u>\$ 62,267</u>	<u>\$ 62,267</u>

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2007

NOTE 7 - LEASES

Capital Lease

On June 9, 2006 the Marion Community Fire Department acquired a 2006 International 4300 Cab and Chassis under the provisions of a long-term lease. For financial reporting purposes minimum lease payments relating to the asset have been capitalized. The property under capital lease has a cost of \$46,092.

The future minimum lease payments under capital lease and the net present value of the future minimum lease payments at February 28, 2007 are as follows:

Total Minimum Lease Payments	\$ 41,578
Amount Representing Interest	<u>4,746</u>
Present Value of Net Minimum Lease Payments	\$ 36,832
Current Portion	<u>8,466</u>
Long-Term Capital Lease Obligation	<u><u>\$ 28,366</u></u>

The annual minimum lease payments under the long-term capital lease existing at February 28, 2007 are:

February 28, 2008	\$ 10,395
February 28, 2009	10,395
February 28, 2010	10,395
February 28, 2011	<u>10,393</u>
	<u><u>\$ 41,578</u></u>

Commercial Lease

On July 10, 2003 the Marion Downtown Development Authority (DDA) entered into an agreement with Jenkins Oil Co. whereby the DDA would lease real estate to be used as a commercial parking lot. The original term of the lease is for 20 years and will automatically renew for 10 successive 1 year terms unless the DDA gives written notice not to renew after the original 20 year period. Rent for the initial 20 year term is \$19,500 based on a cost estimate for demolition of the building located on the real estate. Rent for renewal periods is \$1.00 per year. The DDA is responsible for all expenses for maintaining of the property including real estate taxes, insurance, utilities, snow plowing and waste disposal. The DDA has an exclusive right to purchase the leased real estate when the lessor desires to sell the property as set forth in the agreement.

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2007

NOTE 8 - CHANGES IN LONG TERM DEBT

The following is a summary of debt transactions of the Village of Marion for the year ended February 28, 2007.

Governmental Activities:

2002 General Unlimited Tax

Water Bonds

Debt Payable at February 28 2006	\$ 1,693,383
New Debt Issued	-
Debt Retired	(45,000)
Debt Payable at February 28, 2007	<u>\$ 1,648,383</u>

Component Units:

Marion Community Fire Dept

Fire Truck

Debt Payable at February 28, 2006	\$ 4,070
New Debt	40,895
Debt Retired	(8,131)
Debt Payable at February 28, 2007	<u>\$ 36,834</u>

Downtown Development Authority

Term Note-Fifth Third Bank

Debt Payable At February 28, 2006	\$ 64,001
New Debt	-
Debt Retired	(16,001)
Debt Payable at February 28, 2007	<u>\$ 48,000</u>

Debt payable at February 28, 2007 is comprised of the following individual issues:

Governmental Activities

General Obligation

\$1,783,383 2002 General Obligation Unlimited Tax Bonds due in annual installments of \$45,000 to 85,000 through April 1, 2032; interest at 2.5%	<u>\$ 1,648,383</u>
--------------------------------------------------------------------------------------------------------------------------------------------------	---------------------

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements – Continued
February 28, 2007

NOTE 8 – CHANGES IN LONG TERM DEBT–Continued

Component Units:

Marion Community Fire Dept
Fire Truck Capital Lease Due In
Semi annual Installments of \$5,197
Through December 9, 2010

\$ 36,834

Downtown Development Authority
Term Note Due In Semi-Annual
Payments of \$8,000 Plus
Interest At 7% Beginning
April 15, 2005 Through Maturity
At January 15, 2010.
New Debt

48,000
\$ 84,834

The annual debt service requirements to maturity for the above obligation is as follows:

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	45,000	40,647	85,647
2009	50,000	39,460	89,460
2010	50,000	38,210	88,210
2011	50,000	36,960	86,960
2012	50,000	35,710	85,710
2013	50,000	34,460	84,460
2014	55,000	33,147	88,147
2015	55,000	31,772	86,772
2016	55,000	30,397	85,397
2017	60,000	28,960	88,960
2018	60,000	27,460	87,460
Sub Totals	<u>\$ 580,000</u>	<u>\$ 377,183</u>	<u>\$ 957,183</u>

–Continued–

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements – Continued
February 28, 2007

NOTE 8 – CHANGES IN LONG TERM DEBT-continued

The annual debt service requirements to maturity for the above obligation is as follows:-continued

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Balance Forward	\$ 580,000	\$ 377,183	\$ 957,183
2019	60,000	25,960	85,960
2020	60,000	24,460	84,460
2021	65,000	22,897	87,897
2022	65,000	21,272	86,272
2023	65,000	19,647	84,647
2024	65,000	18,022	83,022
2025	65,000	16,397	81,397
2026	65,000	14,772	79,772
2027	75,000	13,022	88,022
2028	75,000	11,147	86,147
2029	80,000	9,210	89,210
2030	80,000	7,210	87,210
2031	80,000	5,210	85,210
2032	85,000	3,147	88,147
2033	83,383	1,042	84,425
Total	<u>\$ 1,648,383</u>	<u>\$ 590,598</u>	<u>\$ 2,238,981</u>

The debt service requirements to maturity for the fire truck capital lease is as follows:

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 8,466	\$ 1,928	\$ 10,394
2009	\$ 8,943	\$ 1,452	\$ 10,395
2010	\$ 9,446	\$ 949	\$ 10,395
2011	\$ 9,979	\$ 415	\$ 10,394
	<u>\$ 36,834</u>	<u>\$ 4,744</u>	<u>\$ 41,578</u>

The debt services requirements to maturity for the term loan with Fifth Third Bank is as follows:

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	16,000	3,080	19,080
2009	16,000	1,960	17,960
2010	16,000	840	16,840
	<u>\$ 48,000</u>	<u>\$ 5,880</u>	<u>\$ 53,880</u>

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2007

NOTE 9 - INTEREST INCOME AND INTEREST EXPENSE

Individual fund interest income and interest expense for the primary government for the year ended February 28, 2007 were:

	<u>Interest Income</u>	<u>Interest Expense</u>
General Fund	\$ 1,044	\$ -
Special Revenue Funds		
Major Street Fund	805	-
Local Street Fund	414	-
Debt Service Fund		
2002 General Obligation Unlimited		
Tax Bonds Debt Retirement Fund	2,278	41,772
Capital Projects Fund		
Industrial Complex Construction Fund	152	
Enterprise Fund		
Water Supply System	1,291	
Sewage Disposal	1,286	
	<u>\$ 7,270</u>	<u>\$ 41,772</u>

Interest income and interest expense for the component units for the year ended February 28, 2007 was:

	<u>Interest Income</u>	<u>Interest Expense</u>
Marion Community Fire Dept	\$ 407	\$ 1,235
Downtown Development Authority	1	3,879
Marion Public Library	8,728	-
	<u>\$ 9,136</u>	<u>\$ 5,114</u>

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

Plan Description and Provisions

The Village participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at:

MERS
Municipal Employees' Retirement System of Michigan
1134 Municipal Way
Lansing, MI 48917

-Continued-

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements - Continued
February 28, 2007

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS–continued

Funding Status and Progress

The obligation to contribute to the system for these employees was established by the Village Council under Act 427 of Public Acts of 1984 and administered by the State of Michigan. The covered payroll for the year ended February 28, 2007 was \$170,917. The amount contributed by the Village based on 73.75% of covered payroll. The plan required a contribution from the employees of 3% of the covered wages.

Annual Pension Cost

The annual required contribution was determined as part of an actuarial valuation at December 31, using the entry actual age cost method. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation (c) additional projected salary increases ranging from 0.0% to 8.40% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year annually after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of 30 years.

Three-Trend Information for MERS

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2/29/2004	5533	100.00%	0
2/28/2005	6548	100.00%	0
2/28/2006	7949	100.00%	0

Schedule of Funding Progress for MRS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarially	Unfunded	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Accured Liability(AAL) Entry Age (b)	(Overfunded) AAL (UAAL) (b-a)			
12/31/2002	245,957	304,367	58,410	81%	135,715	43%
12/31/2003	270,275	331,376	61,101	82%	152,886	40%
12/31/2004	292,316	353,325	61,009	83%	156,198	39%
12/31/2005	317,653	427,533	109,880	74%	162,252	68%

–Continued–

VILLAGE OF MARION, MICHIGAN
Notes To Financial Statements – Continued
February 28, 2007

NOTE 11 – RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries (workers' compensation) as well as medical benefits provided to employees. The Village has purchased commercial insurance through the Michigan Municipal Liability and Property pool.

NOTE 12 – 2002 GENERAL OBLIGATION UNLIMITED TAX BOND
RETIREMENT FUND RECEIVABLE

The water project completed during 2005 contained the cost of the new system extended to the Marion Public Schools of \$78,733. The school is making payments for their portion of the project to the Village in semi-annual payments of \$1,873 including interest at 2.5%. At February 28, 2007, \$74,176 was receivable from the school.

Village of Marion, Michigan
Required Supplementary Information Budgetary Comparison Schedule
Major Governmental Funds
Year Ended February 28, 2007

	General Fund				Major Street Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue								
Taxes	\$ 140,270	\$ 140,270	\$ 148,674	\$ 8,404	\$ -	\$ -	\$ -	\$ -
State Grants	114,500	114,500	111,073	(3,427)	65,000	65,000	64,553	(447)
Charges For Services	37,600	37,600	39,610	2,010	-	-	-	-
Fines and Forfeits	15	15	26	11	-	-	-	-
Interest and Rentals	5,800	5,800	3,633	(2,167)	350	350	805	455
Other Revenues	118,000	118,000	49,114	(68,886)	-	-	-	-
Total Revenue	\$ 416,185	\$ 416,185	\$ 352,130	\$ (64,055)	\$ 65,350	\$ 65,350	\$ 65,358	\$ (7)
Expenditures								
Legislative	\$ 26,700	\$ 26,700	\$ 23,168	\$ 3,532	\$ -	\$ -	\$ -	\$ -
General Government	95,217	95,217	89,758	5,459	-	-	-	-
Public Safety	67,024	67,024	61,287	5,737	81,000	81,000	88,009	(7,009)
Public Works	129,394	150,697	93,007	57,690	-	-	-	-
Recreation and Culture	38,430	38,430	21,261	17,169	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
Other Functions	65,019	65,150	51,491	13,659	-	-	-	-
Total Expenditures	\$ 421,784	\$ 443,218	\$ 339,972	\$ 103,246	\$ 81,000	\$ 81,000	\$ 88,009	\$ (7,009)
Excess (Deficiency) of Revenues Over(Under) Expenditures	\$ (5,599)	\$ (27,033)	\$ 12,158	\$ 39,191	\$ (15,650)	\$ (15,650)	\$ (22,651)	\$ (7,001)
Other Financing Sources (Uses)								
Operating Transfers In	\$ -	\$ -	\$ 1,100	\$ 1,100	\$ -	\$ -	\$ -	\$ -
Operating Transfers Out	(15,000)	(15,000)	(14,230)	770	(16,450)	(16,450)	(200)	16,250
Operating Transfers From (To) Component Units	(34,150)	(38,170)	(38,253)	(83)	-	-	-	-
Total Other Financing Sources(Uses)	\$ (49,150)	\$ (53,170)	\$ (51,383)	\$ 1,787	\$ (16,450)	\$ (16,450)	\$ (200)	\$ 16,250
Net Change In Fund Balance	\$ (54,749)	\$ (80,203)	\$ (39,225)	\$ 40,978	\$ (32,100)	\$ (32,100)	\$ (22,851)	\$ 9,249
Fund Balance- Beginning of Year	137,693	137,693	137,693	-	55,723	55,723	55,723	-
Fund Balance-End of Year	\$ 82,944	\$ 57,490	\$ 98,468	\$ 40,978	\$ 23,623	\$ 23,623	\$ 32,872	\$ 9,249

Local Street Fund				2002 General Obligation Unlimited Tax Bond Debt Retirement Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 63,857	\$ 63,857	\$ 74,997	\$ 11,140
25,000	25,000	24,699	(301)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
125	125	414	289	1,982	1,982	2,278	296
-	-	-	-	-	-	-	-
\$ 25,125	\$ 25,125	\$ 25,113	(12)	\$ 65,839	\$ 65,839	\$ 77,275	\$ 11,436
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
60,500	60,500	65,461	(4,961)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	45,000	45,000	45,000	-
-	-	-	-	41,772	41,772	41,841	(69)
-	-	-	-	-	-	-	-
\$ 60,500	\$ 60,500	\$ 65,461	\$ (4,961)	\$ 86,772	\$ 86,772	\$ 86,841	\$ (69)
\$ (35,375)	\$ (35,375)	\$ (40,348)	\$ (4,973)	\$ (20,933)	\$ (20,933)	\$ (9,566)	\$ 11,367
\$ 31,250	\$ 31,250	\$ 14,230	\$ (17,020)	\$ 12,898	\$ 12,898	\$ 8,684	\$ (4,214)
(200)	(200)	(200)	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 31,050	\$ 31,050	\$ 14,030	\$ (17,020)	\$ 12,898	\$ 12,898	\$ 8,684	(4,214)
\$ (4,325)	\$ (4,325)	\$ (26,318)	\$ (21,993)	\$ (8,035)	\$ (8,035)	\$ (882)	\$ 7,153
39,491	39,491	39,491	-	65,865	65,865	65,865	-
\$ 35,166	\$ 35,166	\$ 13,173	\$ (21,993)	\$ 57,830	\$ 57,830	\$ 64,983	\$ 7,153

VILLAGE OF MARION, MICHIGAN
General Fund
Comparative Balance Sheet
February 28, 2007

<u>ASSETS</u>		
Cash	\$ 78,651	\$ 108,034
Receivables		
Real Property Tax	16,244	17,587
Due From Other Funds		
Major Street Fund	255	-
Due From Other Governmental Units	18,926	19,332
	<hr/>	<hr/>
TOTAL ASSETS	\$ 114,076	\$ 144,953
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 4,971	\$ 4,543
Due to Other Funds		
Major Street Fund	11	11
Local Street Fund	4,399	2,687
Water Supply Fund	1,799	-
Retirement Withholdings	386	-
Payroll Tax Withholdings	2,140	-
Accrued Payroll Taxes	999	19
Accrued Retirement Payable	903	-
	<hr/>	<hr/>
TOTAL LIABILITIES	\$ 15,608	\$ 7,260
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Unreserved	\$ 98,468	\$ 137,693
TOTAL FUND BALANCE	\$ 98,468	\$ 137,693
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 114,076	\$ 144,953
	<hr/>	<hr/>

VILLAGE OF MARION, MICHIGAN
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For Year Ended February 28, 2006

	FUND BALANCE - BEGINNING OF YEAR	BUDGET	ACTUAL
REVENUES			
Taxes	\$ 140,270	\$ 148,674	\$ 139,867
State Grants	114,500	111,073	112,179
Charges For Services	37,600	39,610	36,053
Fines and Forfeits	15	26	20
Interest and Rentals	5,800	3,633	3,082
Other Revenues	118,000	49,114	40,879
TOTAL REVENUES	\$ 416,185	\$ 352,130	\$ 332,080
EXPENDITURES			
Legislative			
Village Council	\$ 26,700	\$ 23,168	\$ 21,882
General Government			
Village President	9,600	9,550	9,400
Elections	-	-	-
Independent Audit	9,000	9,000	15,500
Attorney	3,000	2,416	790
Appraisal Fees	-	325	-
Clerk	33,046	30,557	30,842
Treasurer's Office	18,380	16,494	17,059
Building and Grounds	22,191	21,416	39,282
Public Safety			
Police Department	66,024	59,787	57,831
Planning Commission	1,000	1,500	900
Public Works			
Stores and Garage	132,897	76,917	88,033
Highways, Streets and Bridges	16,000	15,650	13,430
Sanitation	1,800	440	528
Recreation and Cultural			
Recreation/Parks Department	38,430	21,261	19,454
Other Functions			
Employee Benefits	63,319	49,660	56,357
Community Promotion	1,831	1,831	1,930
TOTAL EXPENDITURES	\$ 443,218	\$ 339,972	\$ 373,218
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (27,033)	\$ 12,158	\$ (41,138)
OTHER FINANCING SOURCES (USES)			
Operating Transfers From Other Funds	-	1,100	1,100
Operating Transfers To Other Funds	(15,000)	(14,230)	(30,000)
Operating Transfers To Component Units	(38,170)	(38,253)	(29,564)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (80,203)	\$ (39,225)	\$ (99,602)
FUND BALANCE - Beginning of Year	137,693	137,693	237,295
FUND BALANCE - End of Year	\$ 57,490	\$ 98,468	\$ 137,693

VILLAGE OF MARION, MICHIGAN
General Fund
Analysis of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For Year Ended February 28, 2006

	BUDGET	2006 ACTUAL	2007 ACTUAL
REVENUES			
Taxes			
Current Tax Levy	\$ 136,770	\$ 143,667	\$ 136,727
Delinquent Property Taxes	-	1,701	-
Penalties and Interest	1,000	807	663
Tax Collection Fees	2,500	2,499	2,477
TOTAL TAXES	\$ 140,270	\$ 148,674	\$ 139,867
State Grants			
State Shared Revenues			
Sales and Use Tax	\$ 113,000	\$ 106,332	\$ 107,165
Metro Authority	2,000	3,258	3,492
Liquor License	1,500	1,483	1,522
TOTAL STATE GRANTS	\$ 116,500	\$ 111,073	\$ 112,179
Charges For Services			
Copy Fees	\$ -	\$ 19	\$ 9
Administration Fees	24,600	23,350	23,364
Park and Camping Fees	13,000	16,146	12,570
Zoning Fees	-	95	110
TOTAL CHARGES FOR SERVICES	\$ 37,600	\$ 39,610	\$ 36,053
Fines and Forfeits			
Ordinance Fees	\$ 15	\$ 26	\$ 20
Interest and Rentals			
Interest	\$ 1,400	\$ 1,044	\$ 1,627
Property Lease	600	1,200	-
Cable Franchise Fees	1,800	1,389	1,455
TOTAL INTEREST AND RENTS	\$ 3,800	\$ 3,633	\$ 3,082

- Continued -

VILLAGE OF MARION, MICHIGAN
General Fund
Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For Year Ended February 28, 2006

	BUDGET	ACTUAL	2006
REVENUES - Continued			
Other Revenue			
Equipment Rental	\$ 47,000	\$ 35,204	\$ 40,610
Sale of Lots	15,000	12,600	-
Sale of Other Fixed Assets	-	1,123	-
Refunds and Rebates	-	-	149
Salary Reimbursements	56,000	-	-
Miscellaneous	-	187	120
TOTAL OTHER REVENUES	\$ 118,000	\$ 49,114	\$ 40,879
TOTAL REVENUES	\$ 416,185	\$ 352,130	\$ 332,080
EXPENDITURES			
Legislative			
Village Council			
Salaries and Wages	\$ 8,400	\$ 7,400	\$ 6,300
Memberships and Dues	1,200	1,087	1,189
Transportation	100	-	-
Liability Insurance	14,000	12,025	11,703
Printing and Publishing	3,000	2,270	2,510
Miscellaneous	-	386	180
TOTAL LEGISLATIVE	\$ 26,700	\$ 23,168	\$ 21,882
General Government			
Village President			
Salaries and Wages	\$ 3,500	\$ 3,550	\$ 3,400
Projects Director	\$ 6,000	\$ 6,000	\$ 6,000
Transportation	100	-	-
	\$ 9,600	\$ 9,550	\$ 9,400
Elections			
Salaries and Wages	\$ -	\$ -	\$ -
Office Supplies	-	-	-
Printing and Publishing	-	-	-
	\$ -	\$ -	\$ -
Independent Audit and Accounting	\$ 9,000	\$ 9,000	\$ 15,500
Attorney	\$ 3,000	\$ 2,416	\$ 790
Appraisal Fees	\$ -	\$ 325	\$ -

- Continued -

VILLAGE OF MARION, MICHIGAN
General Fund
Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For Year Ended February 28, 2006

EXPENDITURES - Continued
General Government - Continued

Clerk			
Salaries and Wages	\$ 28,046	\$ 27,458	\$ 26,756
Office Supplies	3,000	1,954	3,014
Computer Services	500	469	50
Insurance	-	6	6
Capital Outlay	1,500	670	1,016
	<u>\$ 33,046</u>	<u>\$ 30,557</u>	<u>\$ 30,842</u>
Treasurer			
Salaries and Wages	\$ 13,330	\$ 12,917	\$ 12,918
Office Supplies	3,000	2,550	2,682
Transportation	-	31	
Contractual Services	550	441	443
Capital Outlay	1,500	555	1,016
	<u>\$ 18,380</u>	<u>\$ 16,494</u>	<u>\$ 17,059</u>
Building and Grounds			
Salaries and Wages	\$ 3,241	\$ 3,407	\$ 2,970
Operating Supplies	-	71	178
Communications	4,700	4,026	3,723
Insurance	1,000	811	790
Utilities	9,000	7,912	8,290
Repair and Maintenance	3,300	5,189	6,279
Primary Sidewalk Construction	950		
Capital Outlay-Property Purchase	-		14,474
Capital Outlay-Sign	-		2,578
	<u>\$ 22,191</u>	<u>\$ 21,416</u>	<u>\$ 39,282</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 95,217</u>	<u>\$ 89,758</u>	<u>\$ 112,873</u>

- Continued -

VILLAGE OF MARION, MICHIGAN
General Fund
Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For Year Ended February 28, 2006

EXPENDITURES - Continued

Public Safety

Police Department

Salaries and Wages	\$ 39,254	\$ 40,945	\$ 39,124
Part - Time Officer	3,000	-	-
Insurance Reimbursement	6,520	6,716	6,320
Office Supplies	1,500	1,123	1,075
Communications	500	255	388
Repair and Maintenance	1,500	-	215
Operating Supplies	1,500	349	1,333
Vehicle Expense	5,000	5,188	3,603
Dues	250	225	100
Insurance	3,000	2,253	2,934
Education and Training	1,000	1,268	1,256
Capital Outlay	3,000	1,465	1,483
TOTAL PUBLIC SAFETY	\$ 66,024	\$ 59,787	\$ 57,831

Planning Commission

Salaries and Wages	\$ 1,000	\$ 1,500	\$ 900
--------------------	----------	----------	--------

Public Works

Stores and Garage

Salaries and Wages	\$ 78,094	\$ 30,325	\$ 45,460
Operating Supplies	8,000	4,120	5,670
Communications	-	375	344
Gas and Oil	6,500	6,530	6,345
Insurance	2,803	2,803	1,951
Repair and Maintenance	9,000	7,025	14,671
Education and Training	-	59	-
Uniform Rental	-	930	949
Capital Outlay - Equipment	26,000	24,750	12,643
Capital Outlay - Improvements	2,500	-	-
	\$ 132,897	\$ 76,917	\$ 88,033

Highways, Streets and Bridges

Street Lighting	\$ 16,000	\$ 15,650	\$ 13,430
	\$ 16,000	\$ 15,650	\$ 13,430

Sanitation

Salaries and Wages	\$ 1,000	\$ -	\$ -
Contractual Services	800	440	528
	\$ 1,800	\$ 440	\$ 528

TOTAL PUBLIC WORKS

	\$ 150,697	\$ 93,007	\$ 101,991
--	-------------------	------------------	-------------------

- Continued -

VILLAGE OF MARION, MICHIGAN
General Fund
Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For Year Ended February 28, 2006

EXPENDITURES - Continued

Recreation and Culture

Recreation/Parks Department

Salaries and Wages	\$ 11,230	\$ 10,495	\$ 10,985
Operating Supplies	-	583	198
Contractal Services	550	176	-
Communications	600	657	443
Printing and Publishing	800	705	683
Utilities	5,900	5,918	3,940
Repair and Maintenance	6,000	2,641	3,121
Insurance	350	86	84
Capital Outlay	13,000	-	-
TOTAL RECREATION AND CULTURE	\$ 38,430	\$ 21,261	\$ 19,454

Other Functions

Employee Benefits

Social Security and Medicare	\$ 13,238	\$ 11,694	\$ 12,618
Health and Life Insurance	36,889	23,641	32,375
Retirement	9,192	11,128	5,681
Unemployment	500	-	-
Workmen's Compensation	3,500	1,093	3,152
Prescription Reimbursements	-	2,023	1,768
Other Miscellaneous	-	81	763
	63,319	49,660	56,357

Community Promotion

Christmas Decorations	\$ 1,831	\$ 1,831	\$ 1,930
TOTAL OTHER FUNCTIONS	\$ 65,150	\$ 51,491	\$ 58,287

- Continued -

VILLAGE OF MARION, MICHIGAN
General Fund
Analysis of Revenues, Expenditures and Changes in Fund Balance - Continued
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For Year Ended February 28, 2006

<u>EXPENDITURES</u> - Continued			
TOTAL EXPENDITURES	\$ 443,218	\$ 339,972	\$ 373,218
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (27,033)	\$ 12,158	\$ (41,138)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers From Other Funds	-	1,100	1,100
Operating Transfers To Other Fund	(15,000)	(14,230)	(30,000)
Operating Transfers To Component Units	(38,170)	(38,253)	(29,564)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	\$ (80,203)	\$ (39,225)	\$ (99,602)
<u>FUND BALANCE</u> - Beginning of Year	137,693	137,693	237,295
<u>FUND BALANCE</u> - End of Year	\$ 57,490	\$ 98,468	\$ 137,693

VILLAGE OF MARION, MICHIGAN
Major Street Fund
Comparative Balance Sheet
February 28, 2007

	2007	2006
<u>ASSETS</u>		
Cash	\$ 23,632	\$ 47,117
Due From Other Funds		
General Fund	11	11
Local Street Fund	-	-
Due From Other Governments		
State Revenue Sharing - Act 51	9,484	8,595
	<hr/>	<hr/>
TOTAL ASSETS	\$ 33,127	\$ 55,723
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds		
General Fund	\$ 255	\$ -
	<hr/>	<hr/>
TOTAL LIABILITIES	\$ 255	\$ -
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Unreserved	32,872	55,723
	<hr/>	<hr/>
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 33,127	\$ 55,723
	<hr/>	<hr/>

VILLAGE OF MARION, MICHIGAN
Major Street Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For Year Ended February 28, 2006

	BUDGET	2006	2005
REVENUES			
State Grants			
State Revenue Sharing - Act 51	\$ 65,000	\$ 64,553	\$ 64,888
Interest and Miscellaneous			
Interest	350	805	593
TOTAL REVENUES	\$ 65,350	\$ 65,358	\$ 65,481
EXPENDITURES			
Public Works			
Routine Maintenance			
Construction	\$ 40,000	\$ 56,116	\$ -
Engineering	-	-	-
Salaries and Wages	8,000	1,841	3,009
Office Supplies	-	-	110
Repair and Maintenance	6,500	4,672	13,079
Equipment Rentals	7,000	2,501	4,089
Utilities - Signal	-	382	-
Leave and Benefits	-	1,259	1,662
Winter Maintenance			
Salaries and Wages	6,000	3,632	4,178
Repair and Maintenance	-	597	810
Equipment Rentals	7,000	8,327	8,245
Leave and Benefits	-	2,232	2,676
Administration Fees	5,000	4,950	4,989
Independent Audit and Accounting	1,500	1,500	1,500
TOTAL EXPENDITURES	\$ 81,000	\$ 88,009	\$ 44,347

- Continued -

VILLAGE OF MARION, MICHIGAN
Major Street Fund
Schedule of Revenues, Expenditures and Changes In Fund Balance - Continued
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For Year Ended February 28, 2006

	BUDGET	ACTUAL	ACTUAL
	2007	2007	2006
<u>EXPENDITURES</u> - Continued			
Excess (Deficiency) of			
Revenues over Expenditures	\$ (15,650)	\$ (22,651)	\$ 21,134
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers To Other Funds	(16,450)	(200)	(16,396)
	<u>\$ (16,450)</u>	<u>\$ (200)</u>	<u>\$ (16,396)</u>
Excess (Deficiency) of Revenues			
Over Expenditures and Other			
Sources (Uses)	\$ (32,100)	\$ (22,851)	\$ 4,738
<u>FUND BALANCE</u> - Beginning of Year	55,723	55,723	50,985
<u>FUND BALANCE</u> - End of Year	<u>\$ 23,623</u>	<u>\$ 32,872</u>	<u>\$ 55,723</u>

VILLAGE OF MARION, MICHIGAN
Local Street Fund
Comparative Balance Sheet
February 28, 2007

<u>ASSETS</u>		
Cash	\$ 3,889	\$ 32,462
Due From Other Governments		
State Revenue Sharing - Act 51	4,885	4,342
Due From Other Funds		
General Fund	4,399	2,687
	<hr/>	<hr/>
TOTAL ASSETS	\$ 13,173	\$ 39,491
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>	-	-
<u>LIABILITIES</u>		
<u>FUND BALANCE</u>		
Unreserved	13,173	39,491
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 13,173	\$ 39,491
	<hr/>	<hr/>

VILLAGE OF MARION, MICHIGAN
Local Street Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For Year Ended February 28, 2006

	BUDGET	2006 ACTUAL	2007 ACTUAL
REVENUES			
State Grants			
State Revenue Sharing - Act 51	\$ 25,000	\$ 24,699	\$ 23,766
Interest and Miscellaneous			
Interest	125	414	228
TOTAL REVENUES	\$ 25,125	\$ 25,113	\$ 23,994
EXPENDITURES			
Public Works			
Routine Maintenance			
Construction	\$ 30,000	\$ 40,803	\$ -
Salaries and Wages	7,000	3,423	4,581
Repair and Maintenance	5,000	1,575	6,531
Equipment Rentals	6,000	5,798	6,613
Leave and Benefits	-	2,380	2,899
Winter Maintenance			
Salaries and Wages	5,000	2,402	3,265
Equipment Rentals	4,000	4,977	6,953
Leave and Benefits	-	1,674	2,127
Office Supplies		29	
Administration Fees	2,000	900	875
Independent Audit and Accounting	1,500	1,500	1,500
TOTAL EXPENDITURES	\$ 60,500	\$ 65,461	\$ 35,344
Excess (Deficiency) of Revenues Over Expenditures	\$ (35,375)	\$ (40,348)	\$ (11,350)
OTHER FINANCING SOURCES (USES)			
Operating Transfers From Other Funds	31,250	14,230	46,196
Operating Transfers To Other Funds	(200)	(200)	(200)
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (4,325)	\$ (26,318)	\$ 34,646
FUND BALANCE - Beginning of Year	39,491	39,491	4,845
FUND BALANCE - End of Year	\$ 35,166	\$ 13,173	\$ 39,491

VILLAGE OF MARION, MICHIGAN
2002 General Obligation Unlimited Tax Bonds Debt Retirement Fund
Comparative Balance Sheet
February 28, 2007
With Comparative Totals For February 28, 2006

	2007	2006
<u>ASSETS</u>		
Cash	\$ 64,983	\$ 65,865
TOTAL ASSETS	<u>\$ 64,983</u>	<u>\$ 65,865</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ -	\$ -
<u>FUND BALANCE</u>		
Reserved for Debt Service	<u>\$ 64,983</u>	<u>\$ 65,865</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 64,983</u>	<u>\$ 65,865</u>

VILLAGE OF MARION, MICHIGAN
2002 General Obligation Unlimited Tax Bonds Debt Retirement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For The Year Ended February 28, 2006

	2007 Budget	2006 Actual	2005 Actual
REVENUES			
Taxes			
Current Property Taxes	\$ 62,000	\$ 69,429	\$ 66,076
Assesments in Lieu of Property Taxes	-	-	-
Single Business Tax	-	3,711	3,711
School Payment	1,857	1,857	1,811
Interest and Rents			
Interest - Marion Public Schools	1,882	1,889	1,935
Interest - Other	100	389	502
TOTAL REVENUE	\$ 65,839	\$ 77,275	\$ 74,035
EXPENDITURES			
Debit Service			
Principal	\$ 45,000	\$ 45,000	\$ 45,000
Interest	41,772	41,772	42,904
Printing and Publishing	-	-	-
Office Supplies	-	69	84
Miscellaneous	-	-	-
TOTAL EXPENDITURES	\$ 86,772	\$ 86,841	\$ 87,988
Excess (Deficiency) of Revenue Over Expenditures	\$ (20,933)	\$ (9,566)	\$ (13,953)
OTHER FINANCING SOURCES (USES)			
Operating Transfers From Other Funds			
Water Supply System			
Operating Transfer	8,000	-	11,500
Assessments in Lieu of Property Taxes	4,898	8,684	4,362
Excess (Deficiency) of Revenue Over Expenditures And Sources (Uses)	\$ (8,035)	\$ (882)	\$ 1,909
FUND BALANCE -Beginning of Year	65,865	65,865	63,956
FUND BALANCE -End of Year	\$ 57,830	\$ 64,983	\$ 65,865

VILLAGE OF MARION, MICHIGAN
Water Supply System
Comparative Statement of Net Assets
February 28, 2007

ASSETS

CURRENT ASSETS

Cash	\$ 68,763	\$ 75,798
Due from General Fund	1,799	-
TOTAL CURRENT ASSETS	\$ 70,562	\$ 75,798

CAPITAL ASSETS

Land	\$ 12,150	\$ 12,150
Land Improvements	5,400	5,400
Machinery and Equipment	58,154	54,286
Water Systems		
Wells, Pumps and Pump House	247,674	247,674
Mains and Connections	1,809,521	1,809,521
Towers	126,875	126,875
Meters	55,610	43,144
Less Accumulated Depreciation	(394,510)	(338,897)
Net Capital Assets	\$ 1,920,874	\$ 1,960,153
TOTAL ASSETS	\$ 1,991,436	\$ 2,035,951

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Accounts Payable	\$ -	\$ 754
Customer Deposits Payable	150	150
TOTAL LIABILITIES	\$ 150	\$ 904

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 1,920,873	\$ 1,960,153
Unrestricted	70,413	74,894
TOTAL NET ASSETS	\$ 1,991,286	\$ 2,035,047

VILLAGE OF MARION, MICHIGAN
Water Supply System
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For Year Ended February 28, 2006

	BUDGET	2006 ACTUAL	2007 ACTUAL
<u>OPERATING REVENUES</u>			
Charges For Services			
Sales	\$ 84,000	\$ 79,415	\$ 79,803
Tap Fees and Installation	1,300	1,205	788
Refuse Collection	30,404	32,990	31,953
Assessments in Lieu of			
Property Taxes	4,898	3,967	4,362
Sale of Fire Hydrants	180	-	400
Miscellaneous	-	-	22
TOTAL OPERATING REVENUES	<u>\$ 120,782</u>	<u>\$ 117,577</u>	<u>\$ 117,328</u>
<u>OPERATING EXPENSES</u>			
Personal Services			
Salaries and Wages	\$ 28,500	\$ 16,572	\$ 12,872
Social Security and Medicare	-	1,267	985
Unemployment	-	93	77
Workmen's Compensation	-	446	328
Life and Health Insurance	-	7,968	5,190
Retirement	-	1,128	597
Supplies			
Office Supplies	1,300	721	249
Operating Supplies	2,000	1,081	2,045
Other Charges and Services			
Memberships and Dues	1,000	40	633
Independent Audit and Accounting	2,500	2,500	2,600
Administrative Fees	8,000	8,000	6,000
Insurance	750	738	716
Utilities	7,520	9,279	4,657
Repair and Maintenance	25,200	9,758	19,893
Equipment Rentals	8,000	5,660	3,020
Education and Training	1,000	985	1,868
Depreciation	-	55,613	54,847
Capital Outlay	17,000	-	-
Software Maintenance	-	656	-
Contractual Fees- Refuse	30,404	30,986	30,761
Printing and Publishing	300	254	254
TOTAL OPERATING EXPENSES	<u>\$ 133,474</u>	<u>\$ 153,745</u>	<u>\$ 147,592</u>
OPERATING INCOME (LOSS)	<u>\$ (12,692)</u>	<u>\$ (36,168)</u>	<u>\$ (30,264)</u>

- Continued -

VILLAGE OF MARION, MICHIGAN
Water Supply System
Schedule of Revenues, Expenses and Changes in Fund Net Assets - Continued
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For Year Ended February 28, 2006

	BUDGET	2006	2007
<u>NON-OPERATING REVENUE (EXPENSES)</u>			
Interest	\$ 50	\$ 1,291	\$ 499
Write-Off of Old Water System	-	-	-
Operating Transfers From (To) Other Funds			
General Fund - Planning Commission	(200)	(200)	(200)
Water Bond Debt Retirement Fund			
Budgeted Transfer	-	-	(11,500)
Assessments in Lieu of Property Taxes	(8,000)	(8,684)	(4,362)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ (8,150)	\$ (7,593)	\$ (15,563)
CHANGE IN NET ASSETS	\$ (20,842)	\$ (43,761)	\$ (45,827)
<u>NET ASSETS-</u>			
Beginning of Year	2,035,047	2,035,047	2,080,874
<u>NET ASSETS-</u>			
End of Year	<u>\$ 2,014,205</u>	<u>\$ 1,991,286</u>	<u>\$ 2,035,047</u>

VILLAGE OF MARION, MICHIGAN
Water Supply System
Comparative Statement Of Cash Flows
Year Ended February 28, 2007

	2007	2006
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts	\$ 117,577	\$ 117,306
Other Revenue	-	22
Payments to Suppliers	(70,453)	(70,908)
Payments to Employees	(16,572)	(12,872)
Payments to Other Funds	(13,660)	(9,020)
Net Cash Provided (Used) By Operating Activities	<u>\$ 16,892</u>	<u>\$ 24,528</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Operating Transfers to Other Funds	<u>\$ (8,884)</u>	<u>\$ (16,062)</u>
Net Cash Flows From Non-Capital Financing Activities	<u>\$ (8,884)</u>	<u>\$ (16,062)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchase of Capital Assets	<u>\$ (16,334)</u>	<u>\$ (3,255)</u>
Net Cash Flows from Capital and Related Financing Activities	<u>\$ (16,334)</u>	<u>\$ (3,255)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest	<u>\$ 1,291</u>	<u>\$ 499</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (7,035)</u>	<u>\$ 5,710</u>
Cash and Cash Equivalents - Beginning of Year	<u>75,798</u>	<u>70,088</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 68,763</u></u>	<u><u>\$ 75,798</u></u>
<u>RECONCILIATION OF INCOME OPERATING INCOME (LOSS)</u>		
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ (36,168)	\$ (30,264)
Adjustments to Reconcile Operating Income (Loss)		
To Net Cash Provided By Operating Activities:		
Depreciation Expense	55,613	54,847
Changes in Assets And Liabilities:		
(Increase) Decrease in Due from Other Funds	(1,799)	-
Increase (Decrease) in Accounts Payable	<u>(754)</u>	<u>(55)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 16,892</u></u>	<u><u>\$ 24,528</u></u>

VILLAGE OF MARION, MICHIGAN
Sewage Disposal System
Comparative Statement of Net Assets
February 28, 2007

<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 52,794	\$ 79,504
TOTAL CURRENT ASSETS	\$ 52,794	\$ 79,504
<u>CAPITAL ASSETS</u>		
Land	\$ 20,138	\$ 20,138
Building	20,000	20,000
Machinery and Equipment	28,795	25,895
Sewer Systems		
Collection System	1,057,228	1,057,228
Lift Station	113,672	113,672
Treatment System	512,391	512,391
Meters	18,646	-
Less Accumulated Depreciation	(966,484)	(920,792)
Net Capital Assets	\$ 804,386	\$ 828,532
TOTAL ASSETS	\$ 857,180	\$ 908,036
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ -	\$ 153
TOTAL LIABILITIES	\$ -	\$ 153
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of		
Related Debt	\$ 804,386	\$ 828,532
Unrestricted	52,794	79,351
TOTAL NET ASSETS	\$ 857,180	\$ 907,883

VILLAGE OF MARION, MICHIGAN
Sewage Disposal System
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For Year Ended February 28, 2006

	BUDGET	2006	2007
OPERATING REVENUES			
Charges For Services			
Sales	\$ 44,000	\$ 42,211	\$ 43,540
Tap Fees and Installation	500	500	-
TOTAL OPERATING REVENUES	\$ 44,500	\$ 42,711	\$ 43,540
OPERATING EXPENSES			
Collection and Treatment			
Personal Services			
Salaries and Wages	\$ 15,000	\$ 11,471	\$ 12,043
Employee Benefits			
Social Security and Medicare	-	877	921
Retirement Expense	-	950	488
Unemployment	-	65	72
Workmen's Compensation	-	322	266
Life and Health Insurance	-	5,300	4,422
Other Charges and Services			
Professional Services			
Audit	2,500	2,500	2,600
Engineering	-	-	-
Administrative Fees	8,000	8,000	10,000
Insurance	500	339	437
Utilities	2,500	1,918	1,972
Office Supplies	1,000	517	670
Software Maintenance	-	612	-
Operating Supplies	1,000	-	71
Repair and Maintenance	10,100	11,295	9,748
Equipment Rentals	14,000	7,941	12,036
Education and Training	1,000	-	-
Memberships and Dues	200	400	400
Depreciation	-	45,693	45,142
Capital Outlay	22,000	-	-
TOTAL OPERATING EXPENSES	\$ 77,800	\$ 98,200	\$ 101,288
OPERATING INCOME (LOSS)	\$ (33,300)	\$ (55,489)	\$ (57,748)

- Continued -

VILLAGE OF MARION, MICHIGAN
Sewage Disposal System
Schedule of Revenues, Expenses and Changes in Fund Net Assets - Continued
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For Year Ended February 28, 2006

	BUDGET	ACTUAL	ACTUAL
NON-OPERATING REVENUE (EXPENSES)			
Interest	\$ 800	\$ 1,286	\$ -
Rental Income	2,000	4,000	-
Operating Transfers From (To) Other Funds			
General Fund - Planning Commission	(500)	(500)	(500)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ 2,300	\$ 4,786	\$ (500)
CHANGE IN NET ASSETS	\$ (31,000)	\$ (50,703)	\$ (58,248)
<u>NET ASSETS - Beginning of Year</u>	<u>907,883</u>	<u>907,883</u>	<u>966,131</u>
<u>NET ASSETS - End of Year</u>	<u>\$ 876,883</u>	<u>\$ 857,180</u>	<u>\$ 907,883</u>

VILLAGE OF MARION, MICHIGAN
Sewage Disposal System
Comparative Statement of Cash Flows
February 28, 2007

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts From Customers	\$ 42,211	\$ 43,540
Payments to Suppliers	(24,748)	(22,072)
Payments to Employees	(11,471)	(12,043)
Payments to Other Funds	(15,941)	(22,036)
Net Cash Provided (Used) By Operating Activities	<u>\$ (9,949)</u>	<u>\$ (12,611)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Operating Transfers to Other Funds	\$ (500)	\$ (500)
Rental Income	4,000	-
Net Cash Flows from Non-Capital Financing Activities	<u>\$ 3,500</u>	<u>\$ (500)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchase of Capital Assets	\$ (21,547)	\$ (7,538)
Net Cash Provided (Used) By Capital Activities	<u>\$ (21,547)</u>	<u>\$ (7,538)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest	\$ 1,286	\$ -
Net (Decrease) in Cash and Cash Equivalents	\$ (26,710)	\$ (20,649)
Cash and Cash Equivalents - Beginning of Year	79,504	100,153
Cash and Cash Equivalents - End of Year	<u>\$ 52,794</u>	<u>\$ 79,504</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED USED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ (55,489)	\$ (57,748)
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities:		
Depreciation Expenses	45,693	45,142
Changes in Assets and Liabilities:		
Increase (Decrease) in Accounts Payable	(153)	(5)
Net Cash Provided (Used) by Operating Activities	<u>\$ (9,949)</u>	<u>\$ (12,611)</u>

VILLAGE OF MARION, MICHIGAN
Combining Balance Sheet
Non-Major Governmental Fund Types
Year Ended February 28, 2007

	Marion Village Governmental Fund	Other Governmental Funds
<u>ASSETS</u>		
Cash	\$ 8,567	\$ 8,567
Total Assets	<u>\$ 8,567</u>	<u>\$ 8,567</u>
<u>LIABILITIES AND FUND BALANCES</u>		
<u>Liabilities</u>	\$ -	\$ -
<u>Fund Balance</u>	<u>8,567</u>	<u>8,567</u>
Total Liabilities and Fund Balance	<u>\$ 8,567</u>	<u>\$ 8,567</u>

VILLAGE OF MARION, MICHIGAN
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Fund Types
Year Ended February 28, 2007

	Construction Funds	Governmental Funds
<u>REVENUES</u>		
Interest	\$ 152	\$ 152
<u>EXPENDITURES</u>	-	-
Excess (Deficiency) of Revenues Over Expenditures	\$ 152	\$ 152
<u>Fund Balance - Beginning Of Year</u>	<u>8,415</u>	<u>8,415</u>
<u>Fund Balance - End Of Year</u>	<u>\$ 8,567</u>	<u>\$ 8,567</u>

VILLAGE OF MARION, MICHIGAN
Industrial Complex Construction Fund
Comparative Balance Sheet
February 28, 2007
With Comparative Totals For February 28, 2006

	2007	2006
<u>ASSETS</u>		
Cash	\$ 8,567	\$ 8,415
TOTAL ASSETS	<u>\$ 8,567</u>	<u>\$ 8,415</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ -	\$ -
<u>FUND BALANCE</u>	<u>\$ 8,567</u>	<u>\$ 8,415</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 8,567</u>	<u>\$ 8,415</u>

VILLAGE OF MARION, MICHIGAN
Industrial Complex Construction Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts for Year Ended February 28, 2006

	BUDGET	2007	2006
<u>REVENUES</u>			
Interest	15	152	61
TOTAL REVENUES	\$ 15	\$ 152	\$ 61
<u>EXPENDITURES</u>			
Salaries and Wages	\$ 1,000	\$ -	\$ -
Equipment Rentals	1,000	-	-
TOTAL EXPENDITURES	\$ 2,000	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,985)		\$ 61
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers To Other Funds	-	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (1,985)	\$ 152 8,415	\$ 61
<u>FUND BALANCE - Beginning of Year</u>	8,415		8,354
<u>FUND BALANCE - End of Year</u>	\$ 6,430	\$ 8,567	\$ 8,415

VILLAGE OF MARION, MICHIGAN
Component Units
Combining Balance Sheet
February 28, 2007
With Comparative Totals For February 28, 2006

	MARION COMMUNITY FIRE DEPT.	DOWNTOWN RECREATION ACADEMY	MARION PUBLIC LIBRARY		
ASSETS					
Cash	\$ 45,440	\$ 23,483	\$ 240,842	\$ 309,765	\$ 380,352
Accounts Receivable	-	-	-	-	-
Due From Other Governments	15,852	-	2,246	18,098	16,345
TOTAL ASSETS	\$ 61,292	\$ 23,483	\$ 243,088	\$ 327,863	\$ 396,697
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 4,100	\$ -	\$ 594	\$ 4,694	\$ 2,986
Retirement Payable	-	-	117	117	-
TOTAL LIABILITIES	\$ 4,100	\$ -	\$ 711	\$ 4,811	\$ 2,986
FUND BALANCE					
Unreserved	57,192	23,483	242,377	323,052	393,711
TOTAL LIABILITIES AND FUND BALANCE	\$ 61,292	\$ 23,483	\$ 243,088	\$ 327,863	\$ 396,697

VILLAGE OF MARION, MICHIGAN
Component Units
Combining Schedule of Revenues, Expenditures and Changes In Fund Balances
Year Ended February 28, 2007
With Comparative Actual Amounts for Year Ended February 28, 2006

	VILLAGE OF MARION COMBINED FUND BALANCE	TECHNICAL SERVICES FUND BALANCE	VILLAGE OF MARION FUND BALANCE	VILLAGE OF MARION FUND BALANCE	VILLAGE OF MARION FUND BALANCE
REVENUES					
Taxes	\$ -	\$ 15,279	\$ 12,189	\$ 27,468	\$ 23,877
State Grants	-	-	38,614	38,614	38,357
Contribution From Local Units	69,020	-	2,990	72,010	67,901
Charges For Service	5,148	-	1,508	6,656	8,454
Fines and Forfeits	-	-	432	432	341
Interest and Rents	407	5,401	8,728	14,536	10,696
Other Revenues	2,516	1,756	5,607	9,879	35,416
TOTAL REVENUES	\$ 77,091	\$ 22,436	\$ 70,068	\$ 169,595	\$ 185,042
EXPENDITURES					
Buildings and Grounds	\$ -	\$ 80,400	\$ -	\$ 80,400	\$ 37,386
Public Safety	122,990	-	-	122,990	100,898
Recreation and Culture	-	-	86,766	86,766	81,809
TOTAL EXPENDITURES	\$ 122,990	\$ 80,400	\$ 86,766	\$ 290,156	\$ 220,093
Excess (Deficiency) of Revenues Over Expenditures	\$ (45,899)	\$ (57,964)	\$ (16,698)	\$ (120,561)	\$ (35,051)
OTHER FINANCING SOURCES (USES)					
Operating Transfers From(to)				-	-
Primary Government	5,786	32,467	-	38,253	29,564
Write-Off of Old Accounts					
Receivable-Hartwick Township	-	-	-	-	(3,635)
Principal Lease Payments	(8,132)	(16,000)	-	(24,132)	(23,848)
Interest Payments	(1,235)	(3,879)	-	(5,114)	(5,513)
Loan Proceeds	40,895	-	-	40,895	-
Excess (Deficiency) of Revenue Over Expenditures and Other Sources (Uses)	\$ (8,585)	\$ (45,376)	\$ (16,698)	\$ (70,659)	\$ (38,483)
FUND BALANCE -Beginning of Year	65,777	68,859	259,075	393,711	432,194
FUND BALANCE -End of Year	\$ 57,192	\$ 23,483	\$ 242,377	\$ 323,052	\$ 393,711

VILLAGE OF MARION, MICHIGAN
Marion Community Fire Department Fund
Comparative Balance Sheet
February 28, 2007

<u>ASSETS</u>		
Cash	\$ 45,440	\$ 53,516
Due From Other Governments	15,852	14,957
TOTAL ASSETS	\$ 61,292	\$ 68,473
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 4,100	\$ 2,696
TOTAL LIABILITIES	\$ 4,100	\$ 2,696
<u>FUND BALANCE</u>		
Unreserved	\$ 57,192	\$ 65,777
TOTAL LIABILITIES AND FUND BALANCE	\$ 61,292	\$ 68,473

VILLAGE OF MARION, MICHIGAN
Marion Community Fire Department Fund
Schedule of Revenues, Expenditures and Changes In Fund Balance
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For Year Ended February 28, 2006

REVENUES

Contribution From Local Units			
Hartwick Township	\$ 9,440	\$ 10,277	\$ 9,740
Highland Township	11,662	13,448	12,256
Redding Township	99	99	-
Marion Township	15,273	16,727	15,743
Middle Branch Township	9,632	10,411	9,712
Winterfield Township	16,056	18,058	17,460
Charges For Services			
Fire Runs	3,000	3,498	2,300
Extraction Fees	4,000	1,000	1,000
Auto Accidents	1,500	650	4,000
Interest and Rents			
Interest	15	407	138
Other Revenues			
Donations	-	-	200
Miscellaneous	100	316	1,882
Great Lakes Energy Resources Grant	-	2,200	
FEMA Grant	-	-	28,264
TOTAL REVENUES	\$ 70,777	\$ 77,091	\$ 102,695

EXPENDITURES

Public Safety			
Fire Protection			
Salaries and Wages	\$ 9,600	\$ 9,275	\$ 7,924
Life Insurance	600	766	670
Workmen's Compensation	2,500	1,517	1,745
Office Supplies	425	1,183	340
Computer Software	-	300	300
Operating Supplies	1,500	2,620	3,192
Legal Fees	-	68	225
Independent Audit and Accounting	1,500	1,500	1,500
Memberships and Dues	150	265	250
Communications	2,500	3,518	3,196
Gas and Oil	3,000	3,332	3,987
Insurance	16,000	15,699	14,089
Utilities	8,000	6,453	7,361
Repair and Maintenance	8,000	9,441	7,513
Rent	-	1,316	600
Administrative Fees	1,000		-
Printing and Publishing	100		96

- Continued -

VILLAGE OF MARION, MICHIGAN
Marion Community Fire Department Fund
Schedule of Revenues, Expenditures and Changes In Fund Balance – Continued
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For Year Ended February 28, 2006

	BUDGET	2007	2006
EXPENDITURES - Continued			
Public Safety - Continued			
Fire Protection - Continued			
Education and Training	\$ 1,000	\$ 900	\$ 3,120
Capital Outlay	-	-	44,790
Buildings	-	11,450	-
Equipment	7,000	7,295	-
Fire Truck	8,000	46,092	-
TOTAL EXPENDITURES	\$ 70,875	\$ 122,990	\$ 100,898
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (98)	\$ (45,899)	\$ 1,797
OTHER FINANCING SOURCES (USES)			
Operating Transfers In			
From Primary Government	\$ 5,381	\$ 5,786	\$ 5,506
Proceeds from Fire Truck Lease	-	40,895	-
Principal Payments of Capital Lease	-	(8,132)	(7,848)
Interest Payments	(3,000)	(1,235)	(493)
Write-Off of Old Accounts	-	-	-
Receivable-Hartwick Township	-	-	(3,635)
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ 2,283	\$ (8,585)	\$ (4,673)
FUND BALANCE - Beginning of Year	65,777	65,777	70,450
FUND BALANCE - End of Year	\$ 68,060	\$ 57,192	\$ 65,777

VILLAGE OF MARION, MICHIGAN
Downtown Development Authority Fund
Comparative Balance Sheet
February 28, 2007

	2007	2006
<u>ASSETS</u>		
Cash	\$ 23,483	\$ 68,859
TOTAL ASSETS	\$ 23,483	\$ 68,859
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ -	\$ -
<u>FUND BALANCE</u>		
Unreserved	\$ 23,483	\$ 68,859
TOTAL LIABILITIES AND FUND BALANCE	\$ 23,483	\$ 68,859

VILLAGE OF MARION, MICHIGAN
Downtown Development Authority Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

Year Ended February 28, 2007 With Comparative Actual Amounts For Year Ended February 28, 2006

	BUDGET	2006 ACTUAL	2007 ACTUAL
REVENUES			
Current Property Taxes			
Marion Township	\$ 12,000	\$ 15,279	\$ 12,247
Rent	3,600	5,400	3,225
Refund of Jenkins Property Taxes	-	321	1,396
Utility Reimbursement	-	1,435	738
Interest	10	1	1
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	\$ 15,610	\$ 22,436	\$ 17,607
EXPENDITURES			
Independent Audit and Accounting	\$ 1,500	\$ 1,500	\$ 800
Attorney	-	75	-
Projects Director	3,000	3,000	3,000
Office Supplies	500	205	182
Printing & Publishing	-	-	90
Utilities	5,000	4,197	3,980
Property Taxes	-	-	330
Repairs and Maintenance	-	315	569
Insurance	-	460	447
Community Promotion	1,000	-	-
Capital Outlay:			
Contingencies	7,540	-	-
Sible Building	80,000	70,648	27,988
Mill Pond Project	1,000	-	-
Jenkins Project	1,000	-	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 100,540	\$ 80,400	\$ 37,386
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (84,930)	\$ (57,964)	\$ (19,779)
OTHER FINANCING SOURCES (USES)			
Operating Transfers From (To)			
Primary Government			
Current Property Taxes	28,450	32,467	24,058
Loan Proceeds	-	-	-
Loan Principal	(8,000)	(16,000)	(16,000)
Loan Interest	(5,225)	(3,879)	(5,020)
Loan Costs	-	-	-
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES (USES)	\$ (69,705)	\$ (45,376)	\$ (16,741)
FUND BALANCE - Beginning of Year	68,859	68,859	85,600
	<hr/>	<hr/>	<hr/>
FUND BALANCE - End of Year	\$ (846)	\$ 23,483	\$ 68,859
	<hr/>	<hr/>	<hr/>

VILLAGE OF MARION, MICHIGAN
Marion Public Library Fund
Comparative Balance Sheet
February 28, 2007

<u>ASSETS</u>		
Cash	\$ 240,842	\$ 257,977
Due From Other Governments		
Contribution From Local Units	<u>2,246</u>	<u>1,388</u>
TOTAL ASSETS	<u>\$ 243,088</u>	<u>\$ 259,365</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 594	\$ 290
Payroll Tax Withholdings Payable	-	-
Retirement Payable	<u>117</u>	<u>-</u>
TOTAL LIABILITIES	\$ 711	\$ 290
<u>FUND BALANCE</u>		
Unreserved	<u>242,377</u>	<u>259,075</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 243,088</u>	<u>\$ 259,365</u>

VILLAGE OF MARION, MICHIGAN
Marion Public Library Fund
Schedule of Revenues, Expenditures and Changes In Fund Balance
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For Year Ended February 28, 2006

	BUDGET	2007	2006
REVENUES			
Taxes			
Current Tax Levy	\$ 11,100	\$ 11,570	\$ 11,011
Single Business Tax	619	619	619
State Grants			
State Aid	3,600	3,116	3,262
Penal Fines	36,000	35,498	35,095
Contribution From Local Units	2,500	2,990	2,990
Charges For Services			
Copy, Fax and Postage Fees	450	833	618
Book Sales	300	675	536
Fines and Forfeits			
Book Fines	350	432	341
Interest and Rents			
Interest	6,000	8,728	7,332
Other Revenue			
Oil Royalties	1,600	2,319	2,350
Contributions and Donations	100	3,106	80
Childrens Section Improvement	-	182	506
Miscellaneous	50	-	-
TOTAL REVENUES	\$ 62,669	\$ 70,068	\$ 64,740
EXPENDITURES			
Recreation and Culture			
Salaries and Wages	\$ 26,000	\$ 27,005	\$ 25,267
Social Security and Medicare	1,600	1,362	1,588
Retirement	650	1,797	579
Unemployment	150	-	-
Workmen's Compensation	70	56	-
Life and Health Insurance	13,200	13,392	13,864
Office Supplies	2,000	2,124	771
Periodicals and Subscriptions	500	368	413
Independent Audit and Accounting	2,200	2,200	3,000
Memberships and Dues	1,850	1,893	1,813
Communications	450	226	755
Contracted Services-Library Automation	2,500	-	-

- Continued -

VILLAGE OF MARION, MICHIGAN
Marion Public Library Fund
Schedule of Revenues, Expenditures and Changes In Fund Balance - Continued
Budget and Actual
Year Ended February 28, 2007
With Comparative Actual Amounts For Year Ended February 28, 2006

	2007	2006	2005
<u>EXPENDITURES</u> - Continued			
Recreation and Culture - Continued			
Miscellaneous	\$ -	\$ 200	\$ -
Insurance	6,000	4,646	4,664
Utilities	4,000	3,583	3,199
Repair and Maintenance	2,350	1,947	2,692
Education and Training	250	98	132
Administrative Fees	1,500	1,500	1,500
Donation Fund Expense	60	2,632	1,560
Customer Books	300	-	-
Childrens Programs	500	184	68
Capital Outlay			
Equipment	10,000	11,532	3,215
Books	8,500	10,021	5,998
Building	500	-	10,731
TOTAL EXPENDITURES	\$ 85,130	\$ 86,766	\$ 81,809
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (22,461)	\$ (16,698)	\$ (17,069)
<u>FUND BALANCE</u> - Beginning of Year	259,075	259,075	276,144
<u>FUND BALANCE</u> - End of Year	\$ 236,614	\$ 242,377	\$ 259,075



Certified Public Accountants

August 30, 2007

To The President and Village Council
Village of Marion, Michigan

During the course of my audit of the books and accounts of the Village of Marion, Michigan, for the year ended February 28, 2007, I noted the following items which I feel should be incorporated into future management and record keeping requirements of the municipality:

1. Budgetary Control

The State of Michigan Budgeting Act #621 has not been followed. The Major Street Fund, Local Street Fund, 2002 Debt Retirement Fund, Water Supply System, Sewage Disposal System, Marion Community Fire Department and Marion Public Library Fund had expenditures in excess of appropriations. In the future, the budget should be amended prior to approving items for payment that would otherwise exceed the budgeted amounts.

2. Deposits and Investments

At times during the year excess funds were being carried in checking accounts. Transfers should be made to interest bearing investments for monies not needed for current expenditures. Also, the Village had investments that were not covered by federal depository insurance. An effort should be made to reallocate investments to maintain insurance coverage.

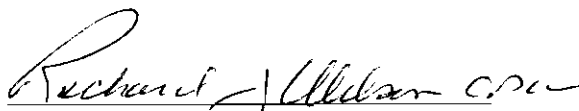
3. Financial Records

During the year, there were instances where the checking account activity was not properly entered into the computer system. On a monthly basis, the receipts and disbursements of each fund's checking account should be compared to the computer general ledger detail to ensure that all transactions are being recorded and that they are coded to the correct revenue, expense and balance sheet account.

4. Overall Financial Condition

During the year the General Fund Balance decreased by \$39,225 from \$137,693 at February 28, 2006 to \$98,468 at February 28, 2007. The fund balance has decreased \$138,827 during the last two years. This factor should be considered in forming next year's budget to allow maintaining a healthy fund balance.

I wish to express my appreciation in allowing us to conduct the Village audit and for the cooperation and courtesy extended by the various Village employees during the course of our examination. If you have any questions relative to the preceding comments and recommendations or other areas of your annual audit or desire additional assistance during the year, please do not hesitate to contact me.



Richard J. Wilson, CPA